Powering sustainable growth

SSE plc Annual Report 2024

2024 at a glance

SSE met its financial objectives in 2023/24 with the value-generating nature of its diversified business mix offsetting the impact of weather and market conditions. SSE also invested £2.5bn in the vital infrastructure needed for net zero. With a world-class project pipeline and strong balance sheet, the Group is on course to meet its 2026/27 growth targets.

Group operating profit/loss

£2,426.4m
Adjusted

£2,608.2m
Reported

Earnings Per Share

158.5p
Adjusted

156.7p
Reported

Dividend

60.0p

Adjusted investment and capex

£2,476.7m

Safety (TRIR) per 100,000 hours worked

0.20

Economic contribution UK/ROI

£5.96bn/ €1.06bn

Turn to page 56 for more information

There's more online

Stay up to date with news from SSE and its operations at sse.com

ABOUT OUR REPORTING

The Annual Report is the centrepiece of SSE's communications to shareholders and wider stakeholders. It aims to give a fair, balanced and understandable overview of progress during the year, meeting the spirit as well as the letter of all reporting requirements.

SSE supports the evolving sustainability reporting standards, which aim to ensure companies tell an integrated story, and the Company's sustainability disclosures are based on the 'double materiality' principle. SSE's material sustainability disclosures are included here, with additional detail in the separate Sustainability Report, published at the same time. The reporting suite below is available on sse.com

- Annual Report
- Sustainability Report
- Net Zero Transition Report
- Just Transition Report
- Risk Report
- Inclusion and Diversity Report
- Annual Report in Single Electronic Format (ESEF)

APM ALTERNATIVE PERFORMANCE MEASURES

SSE assesses the performance of the Group using a variety of performance measures. These measures are not all defined under IFRS and are therefore termed 'non-GAAP' measures.

A reconciliation from these non-GAAP measures to the nearest prepared measure in accordance with IFRS is presented and described from page 190. The Alternative Performance Measures SSE uses might not be directly comparable with similarly titled measures used by other companies.

HELP US CUT PAPER

Printing of this Annual Report is carbon balanced, with trees planted to help offset the climate impact of its production. While SSE has sought to reduce the environmental impact of this publication as far as possible, it encourages readers to opt out of receiving printed copies and make use of SSE's digital reporting suite at sse.com/investors, in order to reduce material and resources used.

Our purpose

SSE is a leading generator of **renewables** and **flexible** energy in the GB and Ireland markets, and one of the world's fastest-growing electricity **networks** companies.

Our **purpose** is to provide energy needed today while building a better world of energy for tomorrow.

Our **vision** is to be a leading energy company in a net zero world.

Our **strategy** is to create value for shareholders and society in a sustainable way by developing, building, operating and investing in electricity infrastructure and businesses needed in the transition to net zero.

Our story

Leading the energy transition

The shift to net zero affects us all. It is urgent, gathering pace and it will transform people's lives. At SSE, we have a clear focus on electricity infrastructure as the key to unlocking decarbonisation. Our growth helps power (and is powered by) society's drive to develop a clean, secure and affordable energy system.

We have a rich heritage in clean energy ...

The SSE story stretches back to the earliest days of hydro-electricity and today the Company is a leading generator of renewable and flexible energy and one of the world's fastest growing electricity network operators.

80 years
Experience in renewable energy

Visit www.sseheritage.com for more information

... a purpose and culture in which people believe ...

SSE's purpose is delivered by highly capable employees and contractor partners who are building a better world of energy, guided by a culture of "Doing the Right Thing" for people and the planet.

91.3%
Employee retention rate

Turn to pages 38 to 45 for more information

... and a balanced portfolio of assets and businesses.

SSE's very deliberate mix of market-based generation assets, regulated electricity networks and customer-facing businesses gives the Group resilience across the clean energy value chain.

90%
Capex dedicated to renewables and networks

See our business model on page 6 and our Business Unit operating review on page 68

Our strategy is tackling climate change head-on ...

The NZAP Plus investment plan is SSE's strategy in action. It is accelerating the build-out of renewables, system flexibility and electricity networks that will be needed to reach net zero.

c£11m
Expected daily spend on infrastructure to 2027

For more on our strategy in action turn to page 16

... creating lasting value for our stakeholders ...

Alongside generating returns for investors, SSE makes a major contribution to society through paying taxes, creating jobs and providing critical national infrastructure.

£679.2m/€68.0m
Taxes paid in UK and Ireland in 2023/24

For more on our engagement with stakeholders turn to page 14

... while ensuring a just transition to net zero.

SSE recognises that decarbonising the economy will be disruptive, so it is creating job opportunities while working with policymakers and communities to make sure no one is left behind.

35%
Of new recruits are former high-carbon workers

Turn to page 38 for more on our Just Transition Strategy

The building blocks of a better world of energy

To ensure a just transition to a decarbonised world, society needs energy that is...

Sustainable

Because it is generated in a way that helps meet ambitions to maintain a 1.5°C global warming pathway

Secure

Because it is resilient and adaptive in the face of system variability, market volatility and geopolitical events

Affordable

Because it is provided by cost-effective electricity generation and transportation technologies, meaning that no-one is priced out of the transition to net zero

At SSE, we're helping to create a new type of power system that is dominated by clean renewable energy, flexible generation and net zero ready grids...

Renewables

The future is electric, and our renewables generation – onshore and offshore wind, hydro power, and solar – is replacing energy formerly generated using high-carbon emitting fossil fuels.

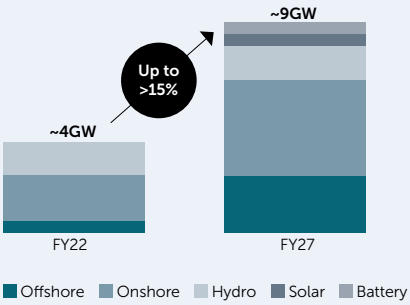
Flexibility

Efficient gas-fired power stations, hydrogen and carbon capture and storage technologies, alongside pumped storage hydro and, increasingly, batteries will play an important role in meeting electricity demand. They are key to an orderly transition, balancing the system when the wind doesn't blow, or the sun doesn't shine.

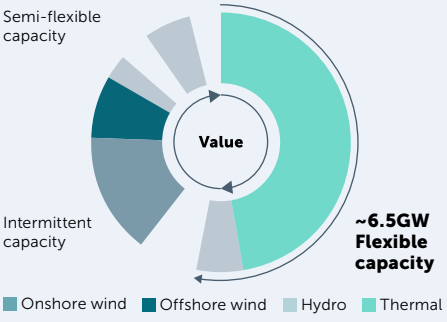
Networks

Regulated networks businesses are critical to meeting the exponential rise in electricity demand. Our transmission network is the fastest growing in Europe, connecting the wealth of renewables in the north of Scotland with urban centres of demand, while our distribution business's localised grids are key to an electrified energy system.

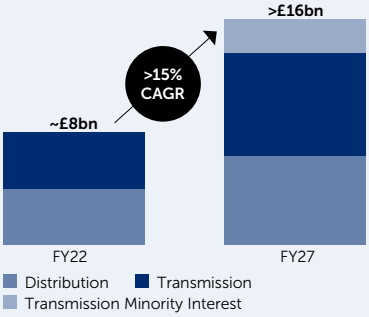
5GW net renewable capacity additions



~6.5GW flexible generation capacity



>£16bn Gross RAV by FY27



Assessing the impact of future climate scenarios

Supporting a just transition to net zero by developing, building, operating and investing in low-carbon electricity infrastructure is at the heart of everything SSE does. Accordingly, climate-related matters are fundamental to the Company's activities and its future is intrinsically linked to likely global warming scenarios.

To reflect this, and to meet the spirit as well as the letter of the Task Force on Climate-related Disclosures ('TCFD') framework, SSE has changed how it reports against it. TCFD-related content provided in previous annual reports as a separate subsection has been embedded throughout the Strategic Report and Governance sections.

SSE's compliance statement and summary of reporting against the TCFD disclosures, with cross-references to relevant information, can be found on page 98.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

How we create value

Our business model

We are developing, building, operating and investing in our unique portfolio of assets across the electricity value chain.

How we are structured

Index-linked earnings from economically-regulated networks offset inherent risk in market-facing businesses

Renewables — Flexibility

Networks

SSE Renewables
Providing clean and affordable home-grown energy

M

SSE Thermal
Balancing the market with flexible generation

M

SSEN Transmission
Enabling net zero by connecting renewables to centres of demand

R

SSEN Distribution
Bringing net zero to the doorstep by decarbonising streets and homes

R

Energy products and services

Energy Customer Solutions
SSE Airtricity and SSE Business Energy provide a shopfront for the Group's renewable generation output

M

SSE Enterprise
Bringing low-carbon solutions to business-to-business markets

M

SSE Energy Markets
Trading commodities, securing value for SSE's assets and managing volatility

M

SSE has a very deliberate mix of market-based and economically-regulated businesses that span the clean energy value chain. The Group's synergies and natural hedges, along with our world-class assets and balance sheet strength, enable us to create lasting value in a highly complex operating environment.

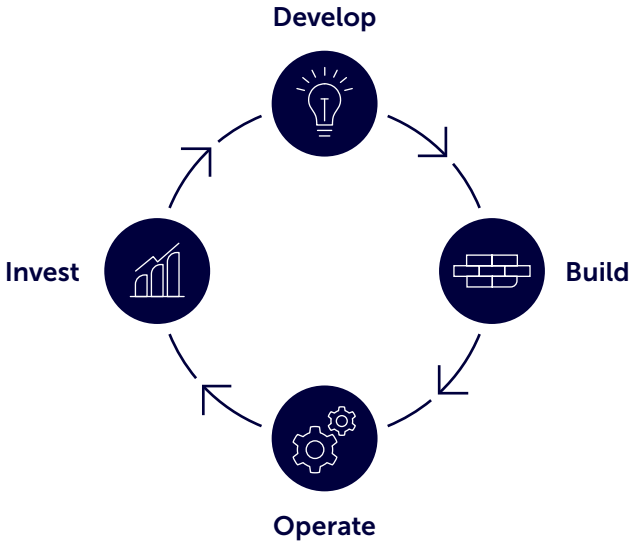
sse | For a better world of energy

Corporate services
Providing cost-effective shared services and strategic direction across the Group

Key: M Market-focused businesses R Economically-regulated businesses

What we do

We drive progress towards net zero by developing, building, operating and investing in clean, secure and affordable electricity infrastructure needed for the energy system of tomorrow.



The relationships and resources we rely on

Employees
Our strategy and success are dependent on the shared talent, diversity, innovation and values of the people we employ.

Energy customers
Consumers create demand for our energy and services.

NGOs, communities and society
We need the support of the communities we work in and the backing of civil society to pursue a just transition to net zero.

Natural environment
From wind and water used to produce energy, to materials used to build energy infrastructure, natural resources are essential to what SSE does.

Shareholders and debt providers
SSE must be well financed, with the ability to remunerate shareholders for their investment, secure debt at competitive rates and invest in growing the business.

Government and regulators
We rely on policy frameworks and public services that support investment in critical national infrastructure, are fair on customers and maintain the momentum behind net zero.

Suppliers, contractors and partners
We rely on a healthy supply chain and work with partners whose capabilities offer synergies for innovative project development and efficient ownership structures.

The value we create

c14,000*
Direct employees
Turn to page 38

£12.2m
Investment in communities
Turn to page 40

£2.5bn
Investment in net zero infrastructure
Turn to page 59

c5m
Customers served
(Networks and supply)
Turn to page 33

£5.5bn
Supplier spend
Turn to page 36

60p
Dividend (full year)
Turn to page 60

£679m/€68m
Taxes paid UK/ROI
Turn to page 39 and 67

£18bn
Market capitalisation
(as at 29 March 2024)

* Excludes 1,089 employees related to the reacquisition of Enerveo (formerly SSE Contracting) in March 2024.

Chair's statement

Delivering on our promise

We can look back on 2023/24 as another year in which SSE's integrated portfolio delivered on our promise to create value for our shareholders and society. At the same time, while delivering significant investment through our net zero-focused strategy, we continued to play our part in transforming the energy system while leaving no one behind.

Our values:

Safety
If it's not safe we don't do it

Service
We can be relied upon to deliver

Efficiency
We focus on adding value

Sustainability
We do the right thing for people and the planet

Excellence
We innovate to improve the way we do things

Teamwork
We work together in an inclusive and collaborative way

The objective of this Annual Report is to provide the disclosures that meet our statutory reporting requirements and to describe how our actions have aligned to our purpose to provide energy needed today while building a better world of energy for tomorrow.

Our business is linked to international market forces, and the domestic and international policy environment. The decisions we made and the actions we took in the year were influenced by societal, environmental, commercial and political factors. Society expects a future energy system that is clean, secure and affordable, and we are working to help deliver that outcome.

Our place in the world

SSE is providing renewables, flexible generation and storage technologies, and strengthened networks that will help address the threat posed by global warming. The climate emergency is at the very heart of SSE's net zero-focused strategy. It is also the impetus behind our 2030 Goals and the science-based targets that support them. In this report we have set out the climate-related opportunities and risks to our business and, specifically from page 98, where we have used global warming scenarios between 1.5°C and 4°C to assess and illustrate our strategic resilience. The conclusion of that scenario analysis is very clear: These scenarios show that for SSE the opportunities are greater than the risks, and are greater under 1.5°C scenarios than any of the less ambitious emission reduction pathways.

The commodity market turmoil that followed Russia's invasion of Ukraine receded in 2023/24, despite conflict in the Middle East, with power and carbon prices softening, creating a more challenging operating environment. Against this backdrop, our very deliberate mix of market-facing and economically-regulated businesses continues to offer stable economic returns for the Group as a whole, while providing multiple options for continued investment.

In March 2023 we noted publication of the UK Government's long-awaited Review of Electricity Market Arrangements (REMA), which contains many proposals to help accelerate the market transition. We remain concerned that proposals for zonal pricing in the UK wholesale energy market, which

"

SSE is providing the renewables, flexible generation and storage technologies, and strengthened networks that will help address the existential threat posed by global warming."

Sir John Manzoni

are among the options under consideration, risk increasing uncertainty and hence delaying investment at the moment we need to accelerate. But we welcomed recognition of the pressing need for new flexible capacity from the end of the decade, while making the case that the Government must establish concrete tests to ensure any new development is capable of rapid decarbonisation to avoid locking in carbon emissions.

A healthy business culture

Against this backdrop we performed well in the year. This is testament to our delivery-focused management team and a highly capable, engaged employee base. Their commitment, and their belief in the value of doing the right thing in pursuit of our purpose, is the secret to SSE's success. Our thanks go to all our employees, contracting partners and their families for their dedication and hard work over the last year.

At SSE we define a healthy, ethical business culture as Doing the right thing. This is tied to six core values: Safety, Service, Efficiency, Sustainability, Excellence and Teamwork (the "SSE SET"), that underpin the execution of our vision, purpose and strategy, and guide our decision-making and interactions with stakeholders.

Our values are well established but we recognise that in a changing world it is important – particularly for a growing business with an evolving employee base – that they continue to inspire the behaviours we expect. It was gratifying, therefore, that an exercise in the year to test the relevance of the SSE SET found that it still resonates with colleagues. In response to what we heard we refreshed the way we talk about what the values mean in practice and the descriptors shown on the opposite page are now more focused and better reflect our ethical ways of working. See page 40 for more on our values.

Safety is our number one value and we are deeply saddened by the loss of Richard Ellis, the employee of a contract partner, who died in an offsite incident in October 2023. Our thoughts remain with Richard's family, friends and colleagues. Among the direct SSE workforce, there was a marked improvement in safety performance in 2023/24, with a Total Recordable Injury Rate (TRIR) measure of 0.07 matching our best performance year. Combining our contractor and direct workforce, the TRIR was 0.20, up from 0.19 in the previous year. We are refocusing our efforts to ensure everyone on an SSE site is kept safe.

The Board monitors culture closely and engages frequently with employees to understand how well it is embedded. We believe that the workplace we provide should be safe and the teams within it should be inclusive and reflective of the community. SSE's Inclusion and Diversity Strategy provides a voice for under-represented groups and invests in leadership programmes that set an inclusive tone from the top, among other measures, and I am heartened by the progress we are making in creating a workplace that welcomes people from all walks of life.

Working for all stakeholders

The close reciprocal relationship between employees and the Company gives them a critical role in delivering our strategy, but they are not the only group we rely on. We value the ongoing support of our shareholders who have voted in favour of our Net Zero Transition Plan for three consecutive years. We actively and constructively engage with politicians and regulators as a partner in developing and advocating for a policy environment which can deliver the best and fastest transition to net zero for customers, society and the environment. We work closely with our development and construction partners to address ongoing supply chain constraints and contractor safety performance. And we engage actively with communities to balance the necessary infrastructure investment with local concerns and with the impact of our work on the natural environment. See page 14 for more on our stakeholder engagement.

This engagement is guided by our commitment to leaving no-one behind in what should be a just transition to net zero. Job creation is part of that, particularly for people moving from careers in high-carbon industries, with 35% of our new recruits coming from such backgrounds last year. More broadly, we believe the economic prosperity stemming from delivery of our strategy, coupled with our environmental, social and governance (ESG) impacts – from our carbon targets, contribution to GDP, supply chain support, and payment of Fair Tax and the Living Wage – reflect the needs of our stakeholders.

Good governance at work

The Board's deliberations in the year were focused on areas including safety performance; progress of NZAP Plus investments; strategic direction and opportunities at home and abroad; the policy environment, and the impact of innovation, AI and cyber risk on our plans.

Good governance benefits from fresh perspectives and I was pleased to welcome two new Board members, Maarten Wetselaar and Barry O'Regan, in the course of 2023. As a non-Executive Director, Maarten has significantly enhanced our energy sector capabilities with his global outlook while Barry, as Chief Financial Officer, has already proved to be a worthy successor to Gregor Alexander who stood down as Finance Director in December 2023. Our thanks go to Gregor for a remarkable 32 years with the Company, and we wish him the best for the future. Thanks too go to Peter Lynas who stepped down having served nine years on the Board.

These and other Board movements, including General Counsel Liz Tanner's appointment as Company Secretary, are set out in detail on page 120. They join a Board that is committed to exercising its duty under Section 172 of the Companies Act 2006 to promote the long-term success of SSE while considering all stakeholders.

The Board is proud of the work SSE does in pursuit of its purpose, and confident that the Company will continue to be central to the transition to net zero, and hence contribute to a sustainable future for our societies.

Sir John Manzoni
Chair, SSE plc

21 May 2024

I confirm that this Strategic Report and the S172 Statement on **page 132** have been approved by the Board. We have sought to maximise transparency and improve our disclosures in a number of areas within this Strategic Report. This includes the integration of TCFD reporting and providing greater visibility of the correlation of KPIs and Directors' remuneration. We hope that you find these changes helpful and, as always, we welcome any feedback on the report and the matters covered within it as we continue the work of taking the Company forward.

Chief Executive's review

A year of strategic acceleration

Progress against the NZAP Plus in 2023/24

Capital investment
£2.5bn

Adjusted EPS
158.5p

Dividend per share
60p

Ratio of net debt to EBITDA
3.0x

Total electric networks RAV
£11bn

Total renewable generation capacity MW[1]
4,457

1 Inc. pumped storage

The actions SSE is taking now will be part of the foundation of a transformed energy system aligned to the sector's 1.5°C global warming pathway – one that is cleaner, more affordable and more secure. As a national clean energy champion we are accelerating renewables, providing vital flexible generation back-up, and transforming electricity networks.

As the task of decarbonisation becomes ever more urgent in our warming world, so does the demand for what SSE has to offer in building a clean, secure and affordable energy system. I'm pleased to be able to say that in 2023/24 we were able to go further in our response to that demand with an acceleration of our plans and projects – investing with discipline and at scale in a decarbonised energy future.

The practical application of our strategy, the Net Zero Acceleration Programme Plus, was upgraded twice in the course of the year, most recently in November 2023 when capital investment expectations for the five-year plan to FY27 were lifted to a fully-funded £20.5bn. Some 90% of that figure is earmarked for renewables and electricity networks, with greater visibility of growth opportunities in SSEN Transmission accounting in large part for the forecast increase in spending. The agility of the Group business model and the issuance of sustainable finance in the form of Green Bonds has enabled us to pivot capital to where it will have the biggest impact on net zero and create the greatest value.

The progress described on these pages was thanks in large part to the commitment of 14,000 highly talented colleagues and contract partners to a purpose that is having a positive impact on people and the planet. Providing a safe, inclusive working environment for those colleagues and contractors will always be our top priority. We are still feeling the sad loss of Richard Ellis, the employee of a contract partner, who died in October. The efforts we are making to keep everyone on an SSE site safe are explained in more detail on page 41.

Closing in on our goals

While the resilience of our integrated business model ensured we met our financial expectations in 2023/24, our ultimate focus is on delivery of our plans to 2026/27. If we are to reach net zero, the power system of tomorrow will need to be dominated by renewables, supported by flexible generation that can be switched on and off as needed, and enabled by strengthened electricity networks.

We measure our progress through stretching 2030 Goals and NZAP Plus targets. While the requirements of a future energy system mean there is no guarantee of a perfectly straight line between now and the end of the decade, we were pleased

that last year we achieved a significant reduction in our greenhouse gas (GHG) emissions. Performance against our climate targets represented the lowest value on record for SSE's total GHG emissions, scope 1 GHG emissions and carbon intensity, mainly due to a reduction in thermal generation output in the year.

SSE is a long-term business and we always look to the future. We are progressing the projects that will provide our forecast NZAP Plus earnings growth, but targets and goals are ultimately dependent on delivery of assets that are part of multi-year capital programmes. While there were challenges, good progress was made in 2023/24, as highlighted elsewhere on this page and detailed among the key performance indicators on page 20.

Building renewables

We reached a number of strategic milestones in the year while navigating the supply chain challenges that have become a feature of the energy sector in recent years. Working with our joint venture partners, the construction of SSE Renewables' flagship projects continued at pace, with Scotland's largest offshore wind farm, Seagreen, completed in the Firth of Forth.

We have made good progress at Viking, on Shetland, and Yellow River and Lenalea in Ireland, while construction is under way at onshore sites in France and Spain. In-principle planning permission was secured for Berwick Bank's onshore grid connection, but the project – at 4.1GW one of the world's largest offshore wind farms – awaits consent for the offshore array, which is expected in the course of 2024.

These are highly complex projects, however, and not without risk, as illustrated off the Yorkshire coast at Dogger Bank A, the world's largest offshore wind farm under construction, where poor North Sea weather and installation vessel availability resulted in short-term delays.

It was a good auction year for SSE Renewables. In the GB capacity auctions 46 units across 35 sites provisionally secured contracts for 1.1GW of hydro, pumped-storage, battery storage and onshore wind energy. This followed 605MW of onshore wind capacity secured in the earlier Contracts for Difference Allocation Round 5 (AR5), and Yellow River winning a contract in the third RESS process.

Providing flexibility

There were auction successes for SSE Thermal, too, with 1,365MW of derated capacity secured for CCGT generation from our power stations at Keadby in Lincolnshire, and Isle of Grain and Medway in Kent for 2024/25. Looking to the longer term, meeting our target of an 80% cut in the carbon intensity of SSE's generation portfolio by 2030 is contingent on lower-carbon alternatives to existing gas-fired

> "The agility of the Group business model ... has enabled us to pivot capital to where it will have the biggest impact on net zero."
>
> **Alistair Phillips-Davies**

fleet, and this will be a key focus for our new Thermal MD, Finlay McCutcheon.

Carbon capture and storage (CCS) and hydrogen offer opportunities for us in the GB market. While CCS and hydrogen form part of UK Government plans for a net zero economy, we have advocated for it to go further, with bolder capacity targets. Likewise, we have long called for supportive policy for long-duration electricity storage projects such as our 1,500MW pumped-storage hydro project at Coire Glas in the Scottish Highlands. Battery storage is another source of flexibility and we now have a secured battery pipeline of 1.1GW, including 620MW already in construction.

Strengthening networks

The opportunities arising from Ofgem's Accelerated Strategic Transmission Investment (ASTI) programme and Large Onshore Transmission Investment (LOTI) Uncertainty Mechanism, are game changing. With combined costs for 11 major projects estimated at £20bn, and a further £5bn identified under Ofgem's "Beyond 2030" plan, SSEN Transmission is now at the centre of the Group's growth plans.

Meanwhile, we are getting on with delivering critical grid infrastructure that is so vital to the future energy system. Good progress has been made on enabling work for the Eastern Green Link 2, or EGL2, which is the HVDC undersea link from Peterhead to Yorkshire. Elsewhere, excellent progress was made on major RIIO-T2 projects, notably with the pioneering High Voltage Direct Current (HVDC) Shetland link where all 260km of the subsea cable was laid in 2023 and the project remains on track for full energisation in summer 2024.

Delivering in Distribution

The immediate impact of climate change is keenly felt in SSEN Distribution, where increasingly extreme weather events test network resilience. The business has met this immediate challenge with operational improvements that have significantly reduced restoration times, while putting net zero at the heart of a strategic investment programme focused on system flexibility.

In December, power was restored to 99% of customers in the north of Scotland within 48 hours during Storm Gerrit. In January, Storm Henk impacted 60,000 customers in the south of England, with our engineers outperforming estimates to restore all supplies within 48 hours. This commitment to keeping the lights on is a source of pride to SSE, but so too is the work being done to design and implement a flexible electricity system fit for net zero. SSEN Distribution contracted more than 700MW of flexibility services in the year and pushed ahead with pioneering forecasting technologies that are helping local governments prepare for increases in clean energy demand.

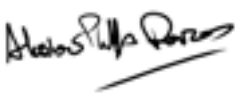
Supporting customers

Our customer businesses provide a shopfront and valuable route to market for the clean energy we produce. These businesses operate in a highly dynamic market that bore the brunt of the 2022/23 cost of living crisis which, while easing, continues to be felt by many customers. It was therefore pleasing that we were able to respond swiftly with price cuts and pass through lower costs.

Looking to the future

Responding to the needs of energy users in this way is important if we are to take them with us on the journey to net zero. We are determined to make sure a just transition leaves no-one behind, and we actively engage with all of our stakeholders – from customers, and communities living alongside our assets, to elected representatives in our home markets and climate leaders through our involvement at COP28. In doing so we seek outcomes that fit with our high standards for corporate responsibility and create the greatest possible value for all concerned.

SSE's portfolio of regulated and market-based businesses gives us excellent prospects for the coming decade. We have a fully-funded investment plan to FY27 guided by strict capital discipline, a defensive earnings mix indexed to inflation and a strong balance sheet with the majority of debt held at fixed rates. Furthermore, our strategy has the benefit of strong policy tailwinds and we remain committed to going further and faster. As we approach elections in the UK, Ireland, the EU and elsewhere, broad consensus remains on the need to slow climate change and SSE stands ready to play its part.



Alistair Phillips-Davies
Chief Executive, SSE plc

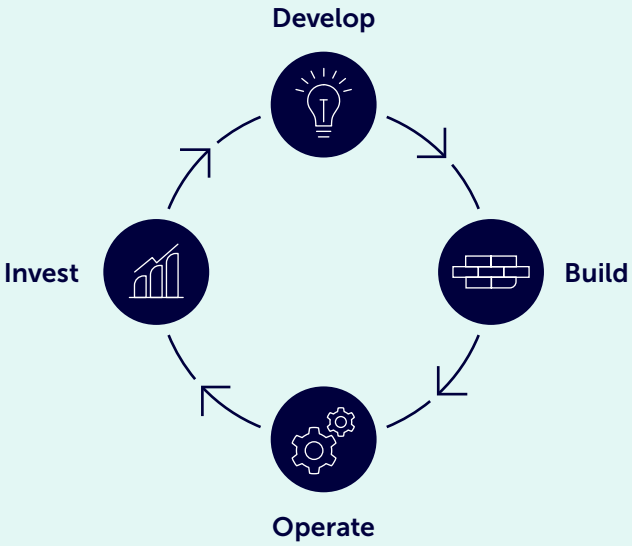
21 May 2024

Delivering on our purpose

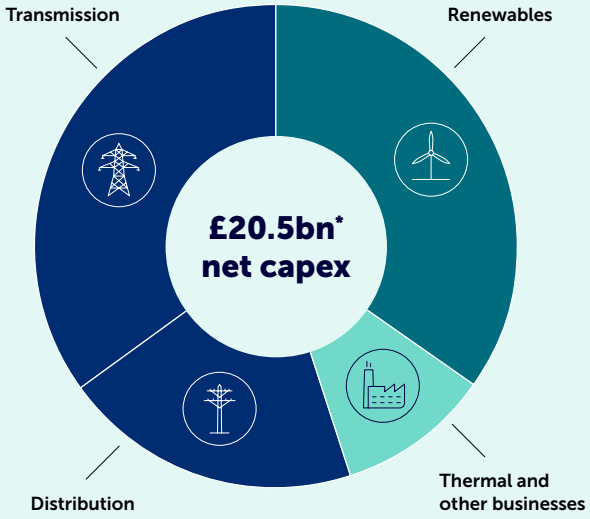
Our strategy

A climate-focused strategy, backed by broad societal consensus on the need for action, and underpinned by clear investment plans and ambitious growth targets.

Our strategy is **to create value for shareholders and society in a sustainable way by developing, building, operating and investing** ...



... **in electricity infrastructure and businesses needed in the transition to net zero** ...



Market-focused businesses	**~45%**
Economically regulated businesses	**~55%**

* Investment over five years under the NZAP Plus.

Net Zero Acceleration Programme Plus (NZAP Plus)

The NZAP Plus is our strategy in action and includes **£20.5bn** of planned capital expenditure, with around **90% for investment in renewables and electricity networks**.

Our balanced portfolio gives us optionality and flexibility – so we can **invest where we see most value** ...

... and in doing so, we are delivering on our **2030 Goals** ...

Cut carbon intensity by 80%

See pages 25 and 28

Increase renewable energy output fivefold

See pages 25 and 74

Enable low-carbon generation and demand

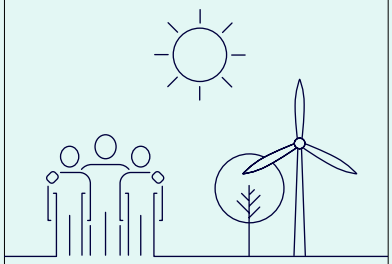
See pages 25, 70 and 72

Champion a fair and just energy transition

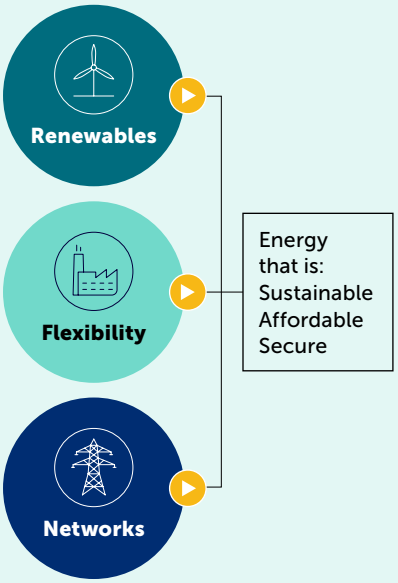
See pages 25 and 38

... that underpin **a purpose** ...

To provide energy needed today while building a better world of energy for tomorrow.



... which contributes to a **decarbonised future**.



... supporting climate solutions aligned to a 1.5°C pathway, and setting clear medium-term targets for ...

See our progress against our KPIs on page 20 and 2030 Goals on page 25

... 2027 ...

~9GW
renewables net capacity

>15%
networks gross RAV CAGR

13–16%
adjusted EPS CAGR

5%–10%
forecast annual dividend growth

... and with its **world-class assets and development pipeline, sector expertise and delivery record**, SSE will be central to a decarbonised energy system post-2030.

Our stakeholders

Creating societal value

Partnering with people who have a stake in SSE

Constructive engagement with communities is part and parcel of SSEN Transmission's plans

Identifying our stakeholders

SSE cannot fulfil its purpose without the support of its stakeholders. Under an unwritten social contract, society provides the Company with human capital and grants it the right to earn a profit. In return, SSE strives for a just transition to net zero through safe and reliable provision of energy, critical infrastructure, jobs and tax.

The reciprocal nature of this relationship informs SSE's definition of stakeholders as the people, communities and organisations that have an interest in, or might be affected by, its decisions, actions and operations. By this measure, there are six key stakeholder groups that are the focus of the Company's engagement activities.

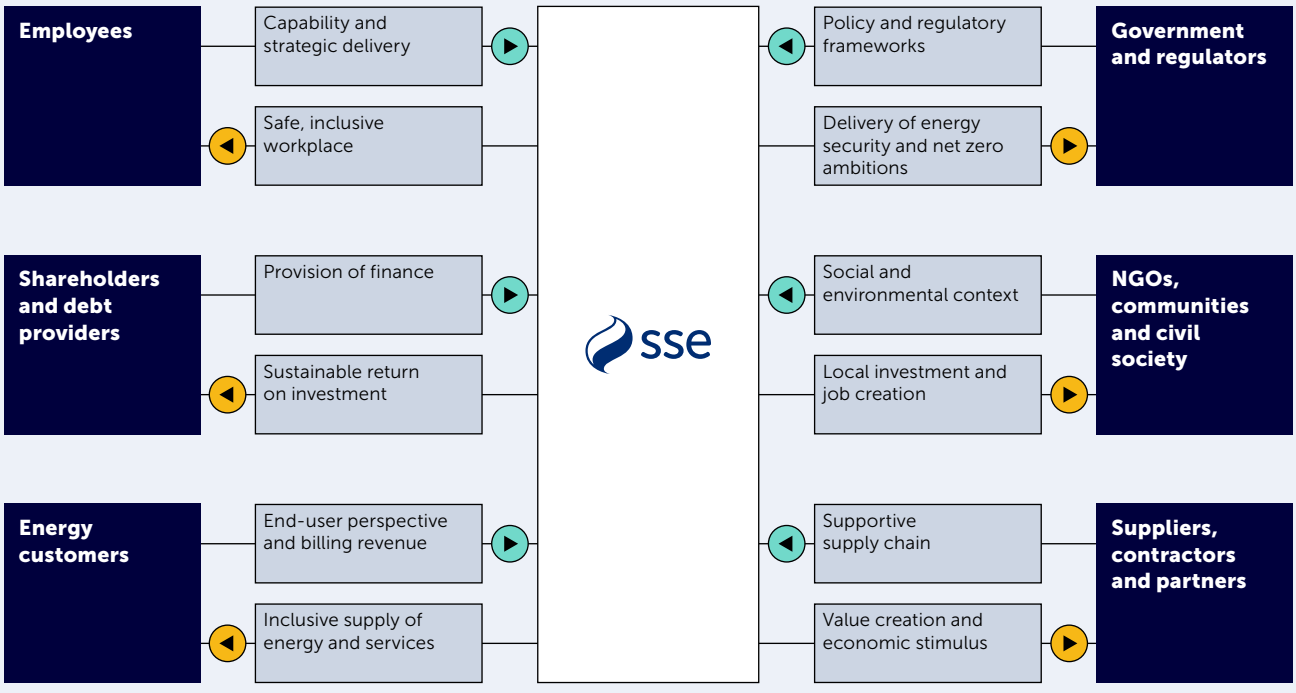
The purpose of engagement

The purpose of stakeholder engagement in SSE is to ensure that the perspectives, insights and opinions of stakeholders are understood and taken account of when key operational, investment or business decisions are being taken. This makes those decisions more robust and sustainable, and supports SSE's strategy.

A range of engagement methods is adopted within a strategic framework of business-led and Group-level interaction that seeks to reflect legislative and regulatory requirements while ensuring stakeholder influence on operational plans and strategic objectives.

SSE acknowledges that scenarios do arise where not every stakeholder interest can be addressed completely, but it strives to consider all perspectives.

Our stakeholder relationships



Employees

SSE directly employs around 14,000 people in the UK, Ireland and selected overseas markets.

Why we engage
Engagement helps retain existing talent and attract recruits to what is a rapidly expanding workforce as the Company grows to meet the challenge of decarbonisation.

c14,000*
Direct SSE employees

Read our engagement in action case study on page 40

Shareholders and debt providers

SSE has a large and diverse shareholder and debt provider base.

Why we engage
To ensure strategic decisions are properly informed by those with a financial stake in SSE's long-term success.

£18bn
Market cap as at 29 March 2024

For more on our relationship with shareholders, see page 130

Energy customers

SSE directly serves energy supply customers in the domestic all-island Ireland market and the business-to-business markets in both GB and the island of Ireland. It also provides grid connection to non-direct networks customers in its Distribution and Transmission operating licence areas.

Why we engage
To understand customer expectations and to ensure they are supportive of, and supported in, a just transition to net zero.

c5m
Networks and supply customers

Read our engagement in action case study on page 35

Government and regulators

SSE has a non-partisan Political Engagement Policy under which it engages with the institutions of government in a way that is consistent with its purpose and climate-focused strategy.

Why we engage
Constructive engagement with elected representatives and regulators aims to ensure fair and effective policy frameworks that support investment in critical national infrastructure and serve the best interests of energy customers and the environment.

£2.5bn
Capex invested in infrastructure in 2023/24

For more on engagement with policymakers, see page 19

NGOs, communities and civil society

SSE works in close partnership with numerous third-party organisations.

Why we engage
SSE relies on the support of communities it works in and the backing of civil society as it plays its part in the transition to net zero.

£12.2m
Investment in communities in 2023/24

Read our engagement in action case study on page 37

Suppliers, contractors and partners

SSE relies on a robust supply chain and specialist JV partners to meet its objectives.

Why we engage
Fostering good relationhips and committing to measures such as the Prompt Payment Code helps SSE secure partnership expertise and achieve greatest value from its investments.

c6,825
Number of active suppliers

Read our engagement in action case study on page 41

More on our stakeholders

The role that society has in the transition to net zero puts SSE's stakeholders at the very heart of what SSE does and they are referred to throughout this Annual Report. Disclosures that relate specifically to stakeholders, and case studies of specific engagement activities, are signposted with the icon shown here on the right. A Section 172 Statement and further details of how stakeholder considerations have influenced principal decisions made in the year by the Board can be found from **page 132** of the Governance Report.

* Excludes 1,089 employees related to the reacquisition of Enerveo (formerly SSE Contracting) in March 2024.

Our strategy in action

Powering the transition to net zero

An unwavering focus on developing, building, operating and investing in low-carbon electricity infrastructure drives the long-term value that we create for shareholders and society.

Ofgem's strategic infrastructure frameworks will create some 20,000 UK supply chain jobs, 9,000 of them in Scotland

Connecting power for future generations

Link to strategy:

Building

Transmission infrastructure is critical to bringing renewable energy to the people and businesses that need it – so SSE Transmission is investing £20bn in a transformational programme to connect output from the ScotWind offshore wind project and help power millions of homes.

As part of the UK Government's Accelerated Strategic Transmission Infrastructure (ASTI) programme, this work will create billions in value for the UK and Scottish economies and enable over a fifth of the UK's 50GW offshore wind goal, a key element of Ofgem's Pathway to 2030 and Beyond 2030 initiatives.

SSE is committed to a just transition and SSEN Transmission has engaged with communities and other key stakeholders across the north of Scotland. One of the largest public consultation processes ever seen in Scotland, this exercise is seeking to ensure that all views are heard and factored into decision-making prior to planning applications being lodged for this critical national infrastructure to be developed. This engagement has resulted in a number of changes to construction plans in direct response to community feedback.

The Pathway to 2030 programme will support 20,000 UK supply chain jobs – 9,000 of which will be in Scotland – providing significant local and national economic opportunities, including legacy benefits such as a commitment to support the delivery of 200 new homes across its network area and the development of a new and ambitious networks community benefit fund.

Key projects include the Eastern Green Link 2 (EGL2), a 525kV, 2GW high voltage direct current (HVDC) subsea transmission cable from Peterhead in Scotland to Drax in England. A joint operation with National Grid, EGL2 will be the longest HVDC cable in the UK and the UK's single largest electricity transmission project ever, providing enough electricity to power 2 million UK homes.

In building EGL2, SSEN Transmission will draw on lessons learned from the success of its pioneering 260km Shetland HVDC link. On course for completion in summer 2024, the Shetland link will connect 600MW of clean, renewable electricity generation – including from the 443MW Viking wind farm – supporting national net zero and energy security targets.

In March 2024, SSEN Transmission welcomed National Grid ESO's upweighted Beyond 2030 plan, which confirmed the need for an additional £5bn investment out to 2035 to unlock a further tranche of ScotWind output.

For more detail, turn to the Business Unit Operating Review on page 70

Building renewables needed for net zero

Link to strategy:

Building

Large capital projects that spur renewable electricity generation are at the heart of building the energy system of the future – and working with contract partners, stakeholders and communities, SSE made significant progress in 2023/24.

SSE Renewables led the development and construction of Seagreen, partnered by Total Energies, and will operate the offshore wind farm during its lifetime. First power was achieved in August 2022 and Seagreen became fully operational in October 2023, with 114 turbines on the 1.1GW site generating enough clean, renewable energy to power almost 1.6 million homes annually.

The world's largest offshore wind farm under construction, Dogger Bank, started producing electricity for the first time in October 2023. The 3.6GW wind farm is being constructed 130km off the coast of Yorkshire and in three 1.2GW phases known as Dogger Bank A, B and C. While the project has experienced delays due to availability of support vessels, the installation of foundations, 95 monopiles, transition pieces and inter-array cables are all going well at Dogger Bank A and power is being transmitted via a high-voltage direct current (HVDC) system in a technological first for the UK offshore wind sector.

Elsewhere, the last of 103 turbines was installed on Shetland at Viking, which at 443MW will be the UK's most productive onshore wind farm, powering around 500,000 homes. Good progress was made on Yellow River, a 29-turbine, 101MW wind farm development in central Ireland. Also in Ireland, the 30MW Lenalea wind farm in County Donegal saw the installation of its seventh and final turbine.

Outside of SSE's home markets in GB and Ireland, construction also started in 2023/24 on two onshore wind farms in Europe: Chaintrix-Bierges (28MW) in northern France and Jubera (64MW) in Spain.

Battery energy storage systems (BESS) will have an increasingly important role to play in the energy mix and good progress was made by SSE Renewables with a combined 670MW under construction at Fiddlers Ferry, Ferrybridge, Salisbury and Monk Fryston, with the latter set to be the largest plant of its kind in the UK.

For more detail, turn to the Business Unit Operating Review on page 74

Seagreen, in the Firth of Forth, can power almost 1.6 million homes annually

Bringing the energy transition to life

Link to strategy:

Operating

SSEN Distribution plays a vital bridging role between low-carbon generators and the consumers they are seeking to supply as the electrification of heat and transport gathers pace. Within its current price control, RIIO-ED2, the business is identifying parts of its north and south licence areas where solutions on the network can mitigate constraints on new generation capacity coming onto the system and accelerate the transition.

SSEN Distribution's Distribution System Operations (DSO) team is leading the way in designing and implementing a smart, flexible, electricity system which will be fit-for-purpose for future needs.

Through its Distribution Future Energy Scenarios SSEN Distribution forecasts future demand growth and the uptake of low-carbon technologies, renewables and other distributed energy resources (DERs).

Forecasting ensures the approach is tailored to individual communities by reflecting local environmental influences, the existing local network infrastructure and societal influences such as age demographics, employment and economic factors.

SSEN Distribution has also onboarded the first group of five local authorities to have signed up to its innovative new Local Energy Net Zero Accelerator (LENZA) demand forecasting tool.

LENZA empowers local authorities to make better decisions about where to put new energy assets like electric vehicle (EV) chargers, or where to roll out low-carbon programmes. It uses a traffic-light system to show whether a new energy asset could be accommodated on the existing network or if further development is required.

For more detail, turn to the Business Unit Operating Review on page 72

> "LENZA empowers local authorities to make better decisions about where to put new energy assets."

Through its LENZA initiative, SSEN Distribution is helping to bring net zero a step closer

Leading the way on sustainable finance

Link to strategy:

Investing

The strategic progress described in these pages is made possible by a capital expenditure programme that has been increasingly funded by sustainable finance in recent years.

SSE is the UK's largest issuer of Green Bonds, issuing seven in the past eight years that have been well received by the market and routinely oversubscribed.

Green Bonds offer an attractive proposition to investors looking to channel finance into infrastructure that will help meet net zero targets.

In the course of 2023/24 two such instruments – an eight-year €750m Green Bond issued on behalf of SSE plc and a 20-year £500m Green Bond issued on behalf of SSEN Transmission – took the total value of outstanding Green Bonds issued by the Group to £3.7bn.

Most of the proceeds from the €750m bond, issued in August 2023, were used to fund SSE Renewables' Viking wind farm project on Shetland.

Green finance will also help to finance and/or refinance SSEN Transmission's substantial pipeline of critical national infrastructure projects, planned for delivery by 2027.

The £500m bond was issued in January 2024 in response to greater visibility over future growth through Ofgem's Large Onshore Transmission Investments (LOTI) reopener and the Accelerated Strategic Transmission Investment (ASTI) framework, with proceeds earmarked to finance and/or refinance work being done by SSEN Transmission to reinforce and grow the electricity network in the north of Scotland.

For more on green finance, see pages 30 and 64

Viking wind farm is among the successful recipients of contracts from the AR5 round

Winning contracts in a competitive market

Link to strategy:

Developing

The critically important role that SSE's assets have to play in the wider energy system was underlined by a string of capacity auction successes in 2023/24.

SSE Renewables was successful in the UK's fifth Contract for Difference (CfD) Allocation Round (AR5) and is set to be awarded 15-year contracts for low carbon power for over half a gigawatt of new onshore wind generation.

Viking wind farm, along with the Strathy South, Aberarder and Bhlaraidh project extensions secured CfDs for a total of 605MW of new renewable energy. Each project will receive the guaranteed strike price of £52.29/MWh, based on 2012 prices but annually indexed since then for CPI inflation.

SSE did not bid for offshore contracts under AR5, however – a decision taken in line with a firm commitment to capital discipline and a determination to optimise returns from what is a world-class development pipeline.

In Ireland, Yellow River secured a CfD for a maximum of 16.5 years under the Irish Government's Renewable Electricity Support Scheme (RESS-3) auction.

SSE Thermal secured provisional agreements for 1,365MW of de-rated electricity generation capacity for the delivery year 2024/25 at the GB T-1 auction. This includes the Keadby 1 Power Station in North Lincolnshire (692MW) and the Medway Power Station on the Isle of Grain (673MW). Agreements were awarded at an auction clearing price of £35.79/kW.

Further value was unlocked by hydroelectric, pumped storage, battery storage and onshore wind assets in the T-4 auction for the delivery year, 2027/28. SSE plant in Scotland and England secured agreements for 1,148MW of de-rated electricity generation capacity. These include one-year contracts for 1,074MW of de-rated hydro-electricity generation and pumped storage capacity, and 15-year agreements for battery storage at Monk Fryston, Ferrybridge and Fiddlers Ferry.

There were auction wins too for SSE Thermal in the GB four-year ahead capacity market, with all of the business's wholly-owned and Joint Venture CCGTs securing contracts at a record-high clearing price.

Securing such long-term contracts underpins SSE's stable index-linked earnings and supports its business model as it creates lasting value.

For more detail, turn to the Business Unit Operating Review page 75 and 77

Supporting the push for faster climate action

Link to strategy:

Investing

At a time of widespread political consensus on the need to speed up deployment of large-scale clean energy infrastructure, SSE regularly engages with the UK and Irish governments on delivering its NZAP Plus investment programme.

In the UK, SSE has continued to engage stakeholders across the political spectrum on the steps needed to bolster energy security, create green jobs and meet climate goals. SSE published a set of policy proposals in a document titled, From Ambition to Action: A delivery plan for cleaner, homegrown energy which provided the foundation for SSE's political advocacy over the past year.

SSE has established a reputation as a clean energy champion and a trusted voice amongst political stakeholders; as reflected in Chief Executive Alistair Phillips-Davies's role as energy sector adviser to the UK Prime Minister and his seat on the government's Net Zero Council.

Alongside domestic engagement, SSE was part of the Global Renewables Alliance campaign that took part in the Conference of the Parties (COP28) at which 130 countries signed up to a pledge to triple renewable energy capacity and double energy efficiency by 2030.

For more on the interaction between individual Business Units and policymakers, turn to pages 70, 72, 74 and 77

Hosted in Dubai, COP28 marked the year of the global stock-take of the Paris Agreement – a pivotal point in the COP process to ensure the world gets back on track and nations are held to account for delivering on their environmental targets. A last-minute agreement pledged to 'transition away from fossil fuels' for the first time, helping to shift the dial.

It is non-state actors, including regional and local governments, and businesses like SSE, that will ultimately implement climate pledges. SSE remains committed to supporting the COP process and will continue to call for more ambitious policy.

To help accelerate conversations, and widen its stakeholder reach, SSE has also grant-funded work by the Oxford Smith School looking at how to deploy clean energy in the global south.

> "It is non-state actors, including regional and local governments, and businesses like SSE, that will ultimately implement climate pledges."

The Labour leadership team was among a range of political visitors to SSE in the year

How we performed

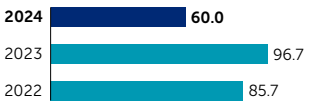
Our KPIs

We use a number of key measures to track our financial and operational performance, progress against UN-aligned goals and efforts to keep people safe.

Financial performance

Dividend per share
(pence) (R)

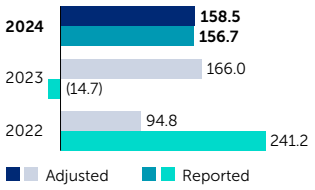
60.0



Performance
The recommended full-year dividend, rebased in 2023/24, is in line with SSE's growth-enabling, five-year dividend plan to 2027.

Adjusted and reported earnings/losses per share
(pence) APM (R)

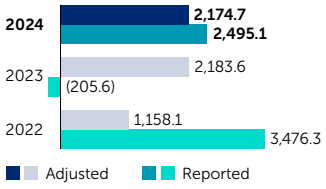
158.5



Performance
Results in 2023/24 are attributable to the resilience of SSE's balanced business mix. Adjusted EPS gives a meaningful measure of performance over the medium term.

Adjusted and reported profit before tax
(£m) APM

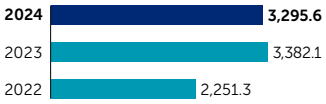
2,174.7



Performance
The reported figure for 2023/24 reflects positive movement in operating and financial derivatives, combined with favourable movement in commodity stocks held at fair value.

Adjusted EBITDA
(£m) APM (R)

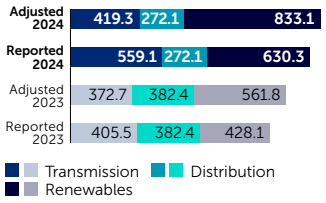
3,295.6



Performance
Extracting interest, tax, depreciation and amortisation from earnings offers a good measure of operational performance, which was strong in the year thanks to a balanced mix of businesses.

Adjusted and reported operating profit by business
(£m)

419.3 Transmission
272.1 Distribution
833.1 Renewables



Performance
Combined, SSE's renewables and electricity networks businesses accounted for more than 60% of Group adjusted operating profit.

Combined networks Regulated Asset Value
(£bn) (R)

10.9

Performance
Accelerated build-out and reinforcement of SSE's three economically-regulated electricity networks contributed to higher RAV values in the year.

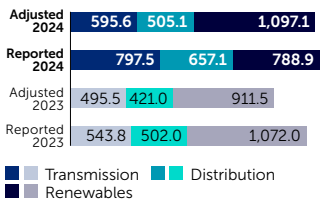
Adjusted investment, capital and acquisitions
(£m)

2,476.7

Performance
A year-on-year reduction in was due to prior-period acquisition expenditure related to the purchase of the Southern European onshore wind development platform and Triton Power Holdings.

Adjusted and reported capex by core business
(£m) (R)

595.6 Transmission
505.1 Distribution
1,097.1 Renewables



Performance
Regulated electricity networks and renewables are SSE's primary growth engines, accounting for the bulk of capex in the year.

Linking performance to pay
SSE's Remuneration Policy is linked to both operational and financial performance. The individual targets and measures used by the Remuneration Committee to inform decisions on Directors' pay have been indicated on these pages with the symbol shown here on the right. See the Remuneration Report in full from page 158.

Key: (R) KPI linked to remuneration

Performance against 2030 Goals

Cut carbon intensity by 80%

UNSDG 13

Scope 1 GHG intensity (gCO_2e/kWh) (R)

205

Performance
SSE saw a 19% reduction in scope 1 GHG intensity, its lowest recorded, largely due to a drop in thermal generation output.

Increase renewable energy output fivefold

UNSDG 7

Renewable generation output (GWh)* (R)

11,158

Performance
Output growth reflected additional operating capacity which more than offset lower wind speeds in Scotland.

* Includes pumped storage, biomass and constrained off wind in GB.

Enable low-carbon generation and demand

UNSDG 9

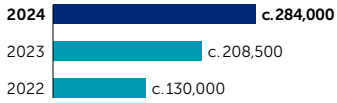
Renewable capacity connected within SSEN Transmission network area (GW) (R)

9.3

Performance
SSEN Transmission is on track to exceed its RIIO-T2 goal to deliver an electricity network in the north of Scotland with the capacity and flexibility to accommodate 10GW of renewable generation by 2026.

Pure electric or plug-in hybrid vehicles registered in SSEN Distribution's licence areas (R)

c. 284,000



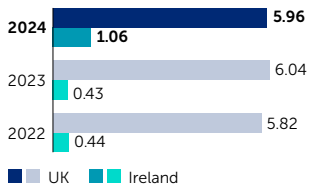
Performance
SSEN Distribution continued to progress several key innovation projects with partners to support flexible markets and future infrastructure provision for the mass adoption of electric vehicles.

Champion a fair and just energy transition

UNSDG 8

Contribution to GDP UK (£bn/€bn)

5.96/1.06



Performance
SSE's GDP contribution in the UK remained fairly consistent between 2022/23 and 2023/24, and saw a significant increase in Ireland over the same period.

Jobs supported in UK and Ireland

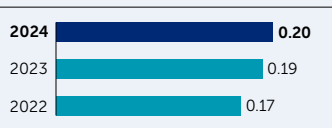
56,500

Performance
An increase in SSE's activity over the financial year has resulted in a rise in total jobs supported, with SSE supporting 53,230 and 3,270 jobs in the UK and Ireland respectively.

Safety performance

Total Recordable Injury Rate per 100,000 hours worked (employees and contractors) (R)

0.20



Performance
Contractor performance continued to impact SSE's combined safety measure in the year.

Sustainability

Short-term progress with long-term goals in sight

Helping to build a future energy system based on renewables, flexibility and networks is the most important contribution to a sustainable future that SSE can make. Doing that in a way that delivers high-quality careers, and an enhanced natural environment, supports SSE's own long-term sustainability too.

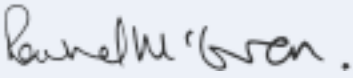
The achievement of social, economic and environmental sustainability is a long-term, multiyear pursuit of value and balanced impact. With SSE's key business goals to 2030 getting closer, important progress was made in the financial year 2023/24. Perhaps the most important of which was a significant reduction in the carbon intensity of electricity generated down to 205 grams of carbon dioxide equivalent per kilowatt hour of electricity generated. Of course, we know that emissions trajectories are unlikely to follow a straight line downwards, nevertheless the achievement of SSE's lowest recorded climate impact from the generation of electricity is something to be welcomed.

As SSE ramps up its capital delivery programme, there are many social and environmental issues to be carefully managed. The expansion of SSE's direct workforce, up by over 1,700 year-on-year, to support that programme is very positive and we are particularly pleased to see the increasing numbers of colleagues joining from former high-carbon industries. SSE deliberately seeks to attract those from high-carbon industries, making our contribution to an economy-wide 'just' transition to net zero and, in 2023/24, 35% of SSE's new recruits originated from high-carbon roles. Their skills and enthusiasm are making an important contribution to SSE's culture and growth.

The development of large capital projects – from renewables to transmission infrastructure – means we are engaging and consulting with communities and stakeholders at an unprecedented scale. Levels of engagement are high, so too is the multitude of perspectives to respond and adapt to. We aspire to the maximum transparency possible, and at all times seek constructive relationships with an array of important stakeholders – from host communities, to regulators and conservationists. The achievement of the 'advanced' rating by SSEN Transmission and Distribution in 2023/24 under the independent AccountAbility audit is an important proof point in that approach.

An important characteristic of SSE's energy assets relates to where they are located. With hydro, wind, distribution and transmission infrastructure often located in rural and remote places, our co-existence with Scotland, England and Ireland's natural heritage is something we are acutely aware of. It is for this reason that we are pleased to be able to report progress against our commitment to ensure that future infrastructure projects leave the natural environment in a healthier state than it was before construction.

At SSE we've set four 2030 Goals aligned to the UN Sustainable Development Goals (SDGs) most material to our business. The past 12 months within SSE have seen important milestones towards the achievement of these long-term goals. There remains, nevertheless, much yet to do and we look forward to making further progress in the year ahead.



Rachel McEwen
Chief Sustainability Officer, SSE plc

21 May 2024

Progressing towards 2030 Goals

Cut carbon intensity by 80%

Reduce Scope 1 carbon intensity by 80% by 2030, compared to 2017/18 levels, to 61gCO_2e/kWh.

SSE's scope 1 GHG intensity

2017/18
307gCO_2e/kWh

2030
61gCO_2e/kWh

2023/24
205gCO_2e/kWh

Read more on pages 28 to 32

Increase renewable energy output fivefold

Build a renewable energy portfolio that generates at least 50TWh of renewable electricity a year by 2030.

Total renewable generation output*

2030
50TWh

2023/24
11.2TWh

Read more on pages 33 to 35

Enable low-carbon generation and demand

Enable at least 20GW of renewable generation and facilitate around 2 million EVs and 1 million heat pumps on SSEN's electricity networks by 2030.

2030
20GW

2023/24
9.3GW

c. 284,000
pure electric or plug-in hybrid vehicles registered

c. 45,300**
heat pumps connected

Read more on pages 36 to 37

Champion a fair and just energy transition

Be a global leader for the just transition to net zero, with a guarantee of fair work and commitment to paying fair tax and sharing economic value.

£6.86bn
contribution to UK and Irish GDP

10
consecutive years as an accredited Living Wage employer

Read more on pages 38 to 45

* Includes pumped storage, biomass and constrained off wind in GB.
** SSEN Distribution now uses source data from the UK Government's Microgeneration Certification Scheme (MCS) to measure progress against this goal. Restated 2022/23 figures can be found in SSE's Sustainability Report 2024.

Driving sustainability at SSE

A framework for a sustainable business

Due to the essential nature of SSE's activities, sustainability has naturally been a long-standing feature of its business model, embedded at the heart of its strategy. It provides a framework that guides decisions as it transitions to net zero, ensuring it is done in a way that creates and shares value with stakeholders.

Sustainability is articulated at the highest level, with SSE's business strategy aligned to the UN's Sustainable Development Goals (SDGs). To embed this approach throughout the organisation, SSE has identified four SDGs which are highly material to the business, and to which it has linked its four core business goals for 2030. These 2030 Goals are focused on addressing the challenge of climate change in a way that is fair to working people, consumers and communities. SSE has identified a further three material SDGs, which are focused on the environment and guide the pillars of SSE's Environment Strategy.

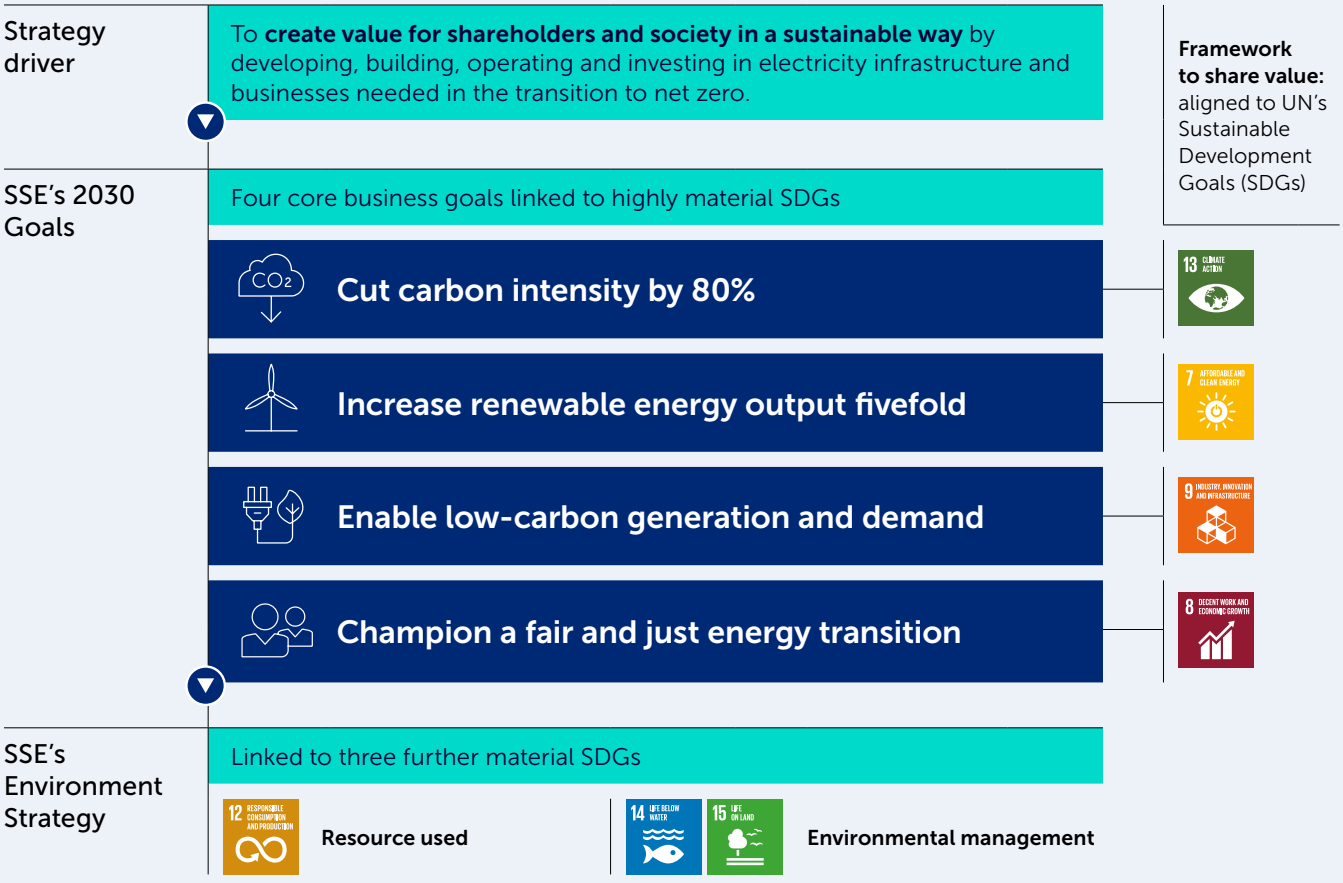
This framework allows SSE to navigate complex of economic, social and environmental impacts and address them in a balanced way to ensure the best outcomes for stakeholders.

Ensuring accountability for sustainability

Reinforcing SSE's commitment to sustainability, sustainability-linked metrics and targets form part of executive performance-related pay. Progress against SSE's 2030 Goals is linked to the longer-term Performance Share Plan, and the Annual Incentive Plan is linked to average performance across three independent external ESG ratings. These measures mean that accountability for sustainability is held at the most senior levels in the Company.

A summary of progress against these performance measures can be found in the Remuneration Committee's Report from page 168.

SSE's sustainability hierarchy



Understanding what matters

A double materiality approach

A credible approach to sustainability is one that is focused on the most significant issues faced by the Company. Through its activities, SSE inevitably impacts on the world around it, with implications for society, the environment and wider stakeholders. In recognition of this, SSE adopts the 'double materiality' approach, which not only takes into account sustainability matters that have a material impact on SSE's business value, but also considers the impact SSE has on the environment and society.

A comprehensive double materiality assessment was undertaken in 2022/23 with support from an independent third-party. This confirmed the five issues most material to SSE: carbon emissions; sustainable energy generation; affordable and reliable energy; supply chain management; and, skilled workforce.

In addition, the process highlighted three areas of opportunity for greater impact: just transition; circularity; and, nature and biodiversity

In early 2024, SSE undertook a 'pulse check' on the materiality assessment which re-confirmed that these top material issues and areas of opportunity remain highly relevant. Information around SSE's performance in each of these areas can be found throughout the following pages of these sustainability disclosures (pages 24 to 49).

The impact of the stakeholder perspective

SSE has identified six key stakeholder groups, outlined on page 15, which represent the people, communities and organisations with an interest in its purpose, strategy, operations and actions and who may be affected by them. Strategic stakeholder engagement underpins the understanding and includes a combination of business-led and Board-level interaction

SSE undertakes extensive engagement to understand the issues material to each of its key stakeholder groups and take these into consideration in decision making. Different stakeholders can often have competing priorities and, in these instances, SSE works to ensure that the best possible outcomes are reached.

For more detail on the range of engagement methods SSE adopts with its key stakeholders, see pages 132 to 134. Throughout the following pages, examples of strategic stakeholder engagement, and the impact it has on SSE's decisions and actions during 2023/24 are provided.

Aligning to external frameworks

Aligning to external sustainability frameworks supports the adoption of common national and international normative standards. These frameworks are created through robust independent processes, capturing the views of a wide variety of stakeholders, and as such also provide insight into issues of particular interest.

SSE is a signatory to the UN's Global Compact (UNGC) incorporating the Ten Principles of the UNGC into its approach to business. In addition, SSE aligns sustainability disclosures to international non-financial reporting frameworks, including the Global Reporting Initiative (GRI) and the SASB Standards, and actively engages with key investor ESG ratings agencies and investor-led initiatives. Full detail can be found in SSE's Sustainability Report 2024 and at sse.com/sustainability.

While SSE is not yet subject to recent mandated sustainability-related disclosure standards in Europe, it is seeking to adopt the most relevant aspects of the International Sustainability Standards Board (ISSB) Standards and the EU Corporate Sustainability Reporting Directive (CSRD). SSE is currently preparing for complete adoption of these standards as and when they become mandated for its business.

Collaborating for sustainable outcomes

Partnerships and collaboration are integral to SSE's approach, as it understands that the scale and complexity of the net zero challenge cannot be addressed acting alone. SSE has several well-established partnerships that allow it to collaborate and share knowledge to drive progress on key sustainability-related issues. These include decade-long partnerships with the Living Wage Foundation and the Fair Tax Foundation, working to address two issues which SSE believes are at the heart of sharing value with society.

SSE has also developed industry collaborations which focus on key challenges facing the energy sector, and how these can be addressed through collective action. Examples of these include: the Powering Net Zero Pact, a supply chain initiative working to address key challenges to bringing about a fair and just transition to net zero; and, the Coalition for Wind Industry Circularity, which seeks to bring together the UK wind sector to create a supply chain for the refurbishment and reuse of wind turbine components within the UK.

More detail about SSE's key partnerships and collaborations can be found in SSE's Sustainability Report 2024.

SSE's most material sustainability topics

SSE's double materiality assessment process has highlighted the issues most material to the Company, as well as areas where it has an opportunity to enhance impact.

SSE's most material sustainability topics	Opportunities for enhanced impact
1 Carbon emissions	1 Just transition
2 Sustainable energy generation	2 Circularity
3 Affordable and reliable energy	3 Nature and biodiversity
4 Supply chain management	
5 Skilled workforce	

Advancing climate action

Delivering climate action through a credible pathway to net zero legitimises SSE's licence to operate and is fundamental to its strategy to decarbonise power, contributing to national and international targets.

A strategy for net zero

The appetite for accelerated climate action presents significant opportunity for SSE. Its business model and strategy are wholly aligned to supporting the energy transition. For more information on SSE's business model, see pages 6 to 7 and strategy, see pages 12 to 13.

In 2023/24, SSE experienced a strong year of performance, recording its lowest scope 1 GHG emissions, maintaining its trajectory towards its science-based carbon targets aligned to a 1.5°C pathway. However, there is still much work needed to remain on this trajectory in the coming years, and emerging trends, including an increasing focus on security of supply towards the end of this decade, are focusing SSE's interventions as it balances both social and environmental requirements.

NZAP Plus investment plan

SSE's £20.5bn five-year capital investment plan to 2027, the NZAP Plus, is seeing SSE accelerate the build-out of the renewables, system flexibility and electricity networks that will be needed to reach net zero. With around 90% of the NZAP Plus expected to be invested in either renewables or networks, the substantial majority of the investment plan is directly focused on climate solutions to achieve SSE's 2030 Goals, and is aligned to the Technical Screening Criteria of the EU Taxonomy.

Targeting net zero

SSE aims to achieve net zero across scope 1 and 2 GHG emissions by 2040 at the latest (subject to security of supply requirements) and for remaining scope 3 GHG emissions by 2050 at the latest. On the pathway to these long-term net zero ambitions, SSE has a series of interim carbon targets, verified by the Science Based Targets Initiative (SBTi) and aligned to a 1.5°C pathway (see Figure 3). Progress against SSE's science-based targets in 2023/24 can be found on page 31.

A pathway to net zero

For SSE's net zero ambitions to be credible, they must be supported by a transparent and robust climate transition plan, against which it can be held accountable. In March 2022, SSE published its Net Zero Transition Plan, available at sse.com/sustainability, which sets out clearly and transparently for stakeholders the key actions SSE will take to drive progress towards its long-term net zero ambitions and its interim science-based carbon targets.

To ensure accountability for progress against the plan, SSE has established a commitment through its shareholder resolution for shareholders to receive its Net Zero Transition Report annually. SSE's Net Zero Transition Report is published each year in June, alongside SSE's full-year corporate reporting suite, and summarises SSE's progress against the targets and actions set out in its Net Zero Transition Plan. SSE's Net Zero Transition Report 2023 was received by shareholders at the Annual General Meeting in July 2023, with 97.63% of votes cast in favour.

SSE's Net Zero Transition Plan pathway

S1 Scope 1 S2 Scope 2 S3 Scope 3

	2025				2035	2050
TARGET	SHORT TERM (TO 2025)	MEDIUM TERM (2025–2035)			LONG TERM (2035–2050)	
	Engage with 50% of suppliers by spend to set an SBT by 2024	Reduce the carbon intensity of scope 1 GHG emissions by 80% by 2030, from 2017/18 baseline	Reduce absolute scope 1 and 2 GHG emissions by 72.5% by 2030 from a 2017/18 base year	Reduce absolute GHG emissions from use of products sold by 50% by 2034 from a 2017/18 base year	Net zero for SSE's scope 1 and 2 emissions by 2040	Net zero for all SSE's remaining scope 3 emissions by 2050
	S3	S1	S1 S2	S3	S1 S2	S3

Note: for definitions of Scopes 1, 2 and 3 SSE follows the GHG Protocol.
For further inforamtion on SSE's GHG and Environmental Reporting Criteria 2024 see sse.com/sustainability

The important role of medium-term carbon targets

There are several factors outside of SSE's control, which have potential to impact its carbon performance in the short term. For example, in a tight electricity system, SSE has a social and economic obligation to support security of supply for homes and businesses, when a mix of renewable and non-renewable generation is needed. This reiterates the crucial nature of medium-term carbon targets, which provide clear pathways within the boundaries of which, companies can balance the impact of short-term influences.

SSE's Net Zero Transition Plan is focused on actions to deliver the steep cuts needed in the medium term, on the pathway to net zero, and provides clarity for stakeholders around the elements within SSE's control.

Climate-related opportunities and risks

Climate change represents both an opportunity and a risk to the energy sector, and as such directly influences SSE's strategy. Since 2018, SSE has been aligning its disclosures to the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. These disclosures provide a structure to elevate climate challenges, informing decisions and driving change to deliver a net zero economy. Through this process, SSE has identified five key climate-related opportunities and four key climate-related risks. A summary of these opportunities and risks, and how they impact the strategy, can be found in Figure 1.

Climate-related financial disclosures are mandatory in the UK where the Financial Conduct Authority (FCA) listing rule LR 9.8.6 R(8) requires organisations to report against the TCFD recommendations, recommended disclosures and the Annex and guidance (published 2021) in annual reports. SSE has integrated its disclosures against the TCFD recommendations throughout this Annual Report, providing stakeholders with a holistic picture of how it is thoroughly embedded through its business processes. Pages 98 to 99 provides a summary of how to navigate the TCFD-aligned disclosures throughout this report.

Leading management of climate-related opportunities and risks

SSE continues to prioritise engagement with CDP, the world's largest database of climate information. In 2024, SSE was awarded an 'A' leadership rating for the third consecutive year, for its 2022/23 submission to the CDP Climate Change questionnaire. This saw SSE included in CDP's Climate A-List, which recognises the world's leading companies based on their level of transparency and performance on climate change. SSE is one of around 350 companies worldwide which achieved an 'A' grade, placing the Company in the top 2% of all scored companies.

Figure 1: Summary of SSE's key climate-related opportunities and risks

The below table provides a summary of SSE's material climate-related opportunities and risks, alongside time horizon assessed and the scenario sensitivity. For full, detailed climate-related opportunity and risk tables, see pages 102 to 105.

Time horizon of opportunity or risk:
SSE considered different warming scenarios over three time horizons to assess the financial impact in each time period.

Period of opportunity or risk | Most material impact

Scenario sensitivity:
Scenario sensitivity indicates the financial significance indicated by the scenario modelling.

●●●● High sensitivity | ●●● ●● ● Low sensitivity | Warming scenario not assessed

		Time horizon			Scenario sensitivity		
		2030	2050	2080	1.5°C	2.5°C	4°C
Transition opportunities	Accelerated wind investment		●		●●●●	●●●	
	Accelerated transmission growth		●		●●●●	●●●	
	Valuable flexible hydro		●		●	●	
	Valuable flexible thermal		●		●●●	●	
	Driving distribution transformation		●		●●	●●	
Transition risks	Accelerated gas closure		●		●●●●	●●●	
	Wind generation price		●		●●●	●●	
Physical risks	Variable renewable generation risk			●	●●		●●●
	Extreme weather network damage			●	●●		●●

Aligning investment to sustainable finance frameworks

The emergence of statutory and normative frameworks defining economic activity under robust sustainability criteria supports the financing of SSE's investments that are wholly focused on the transition to net zero.

Taxonomy aligned activities

SSE supports the integration of standardised sustainability criteria into investment decisions. Its own internal investment criteria ensures alignment of capital investment plans to its core 2030 Goals which includes targeted reductions in GHG emissions consistent with a 1.5°C Paris Agreement pathway.

To voluntarily provide stakeholders with an indication of the scale of SSE's green economic activities, SSE has taken a best-efforts approach to consider the alignment of its 2023/24 activity to the EU taxonomy, the high-level results of which are outlined in Figure 2.

Key strategic activities (i.e. onshore wind, offshore wind, transmission, distribution) from SSE's reportable segments were assessed against the technical screening criteria. While an internal assessment against the Do No Significant Harm and minimum safeguards criteria was undertaken, a second party opinion has not yet been sought.

A full breakdown of SSE's taxonomy eligible activities and the assumptions used can be found in Table 3 in the Disclosure Statement on page 107.

Issuance of two new Green Bonds

In 2023/24, SSE issued two new Green Bonds: a €750m eight-year Green Bond in August 2023, earmarked for flagship onshore and offshore wind projects recently completed or under construction; and, a £500m 20-year Green Bond in January 2024, to finance and/or refinance transmission infrastructure projects.

These represent SSE's sixth and seventh Green Bonds and bring the total outstanding Green Bonds issued by SSE and subsidiaries to £3.7bn, reaffirming SSE's status as the largest issuer of Green Bonds in the UK corporate sector.

Sustainability-linked Revolving Credit Facilities for networks

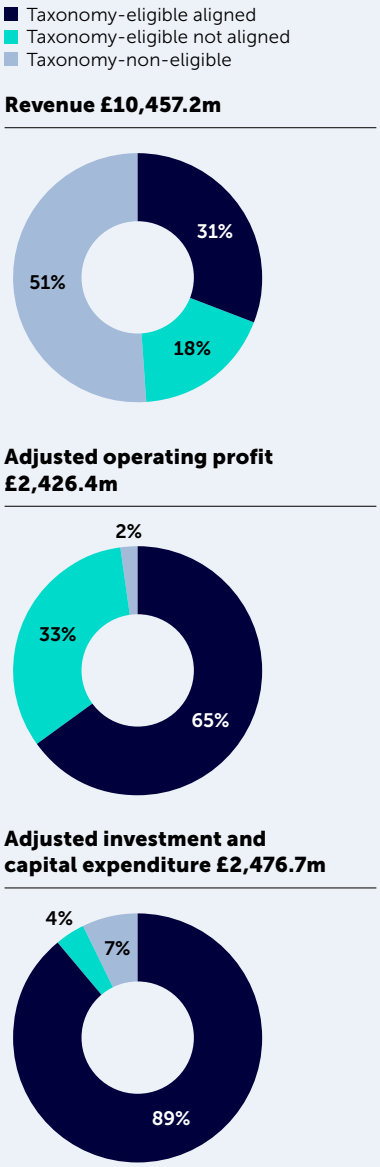
In 2023, SSEN Transmission and SSEN Distribution both signed their first sustainability-linked Revolving Credit Facilities (RCFs). The existing RCFs, originally signed in November 2022, were upgraded in May and July 2023 respectively to include key performance indicators, covering environmental and social metrics, and aligned to the sustainability strategies of the two networks businesses.

Carbon pricing

As a generator of electricity, SSE is subject to policies that impact the price of carbon, which makes it an explicit consideration in many investment decisions.

SSE's generation activities in GB are subject to the UK Emissions Trading Scheme (UK ETS), which is a cap-and-trade emissions scheme. In addition, SSE's generation assets in GB are subject to the Carbon Price Support mechanism which sets a price per tonne of carbon emitted and, combined with the UK ETS allowance price, makes up the Total Carbon Price paid by electricity generators. In Ireland SSE's generation assets are subject to the EU Emissions Trading Scheme (EU ETS). At the time of reporting, SSE used carbon prices of £64/tCO_2 in GB and €78/tCO_2 in the EU. SSE's future plans include assumptions on low, central and high carbon range forecasts.

Figure 2: SSE's taxonomy aligned activities 2023/24



Engagement in action

Informing best practice transition planning

The UK HM Treasury led Transition Plan Taskforce (TPT) is working to develop best practice guidance for private sector climate transition plans. SSE has been actively supporting this work and, because of its experience as an early adopter of climate transition planning, was invited to join the TPT Delivery Group in 2023/24.

Having previously supported the Transition Plan sandbox (testing) exercise, SSE joined three Working Groups: Electric Utility and Power Generators; Adaptation; and, Just Transition. SSE supported these Working Groups with developing topic and sector-specific guidance on transition plans.

The TPT published its Disclosure Framework in October 2023, followed by its final Sector Deep Dive Guidance in April 2024, which provides sector-specific guidance on interpreting the Disclosure Framework for seven sectors, including Electric Utility and Power Generators.

Whilst recognising the scale of the disclosures proposed by the TPT Guidance, the TPT Disclosure Framework represents the gold-standard for transition planning. SSE remains committed to best practice planning and disclosure and will review this latest guidance as part of the TPT's recommendation to update standalone transition plans on a three-yearly cycle.

Measuring SSE's carbon performance

Measuring and disclosing SSE's year-on-year carbon performance and progress against targets keeps SSE accountable to its stakeholders for delivery against its Net Zero Transition Plan. Full detail of SSE's GHG inventory can be seen in Table 2 in the Disclosure Statement on page 106. Detail of SSE's progress against specific actions in its Net Zero Transition Plan can be found in SSE's Sustainability Report 2024, alongside information around how different elements of SSE's strategy impact progress against carbon targets.

Performance against science-based carbon targets

SSE's 2023/24 progress against its SBTi-verified carbon targets is outlined in Figure 3. A strong year of performance means SSE remains on track to achieve these targets, having exceeded its supplier engagement target since 2022/23. Information around trends in SSE's performance can be found in the following discussion across pages 31 and 32.

SSE's scope 1 GHG intensity

The scope 1 GHG intensity of electricity generated in 2023/24 was the lowest recorded by SSE, falling by 19% to 205gCO_2e/kWh, from 254gCO_2e/kWh the previous year. This represents 41% progress against SSE's scope 1 GHG carbon intensity targets for 2030.

SSE's intensity performance is calculated based on two elements – total generation output, comprising thermal and renewable generation source, and total scope 1 GHG emissions (99% of which is from thermal generation).

Output from SSE's renewable generation portfolio (incl. pumped storage and biomass, and excl. constrained off wind in GB) in 2023/24 increased slightly to 10.0.TWh in 2023/24, from 9.7TWh the previous year. Output for the period was driven by capacity additions during the year, principally from Seagreen offshore wind farm which reached full commercial operations in October 2023, which were partially offset by lower year-on-year wind speeds. Output from SSE's thermal generation decreased by 22%, principally reflecting a normalisation of the market environment over the course of the year.

This meant that the proportion of total generation output contributed to by renewable generation increased to 47% in 2023/24, compared to 40% the previous year. This, coupled with a significant reduction in GHG emissions arising from thermal generation resulted in the considerable improvement in scope 1 GHG intensity performance for 2023/24.

Absolute GHG emissions performance

In 2023/24, SSE's total reported GHG emissions consisted of 47% scope 1 emissions, 5% scope 2 emissions and 48% from scope 3 emissions measured. Overall, SSE's total reported GHG emissions fell by 18% between 2022/23 and 2023/24.

Figure 4 shows SSE's changing carbon footprint over time and shows scope 1 emissions decreasing as a result of strategic intervention but is also balanced by an increase in scope 3 emissions over time. For the first year, SSE's scope 3 emissions represented the largest portion of SSE's total GHG emissions in 2023/24.

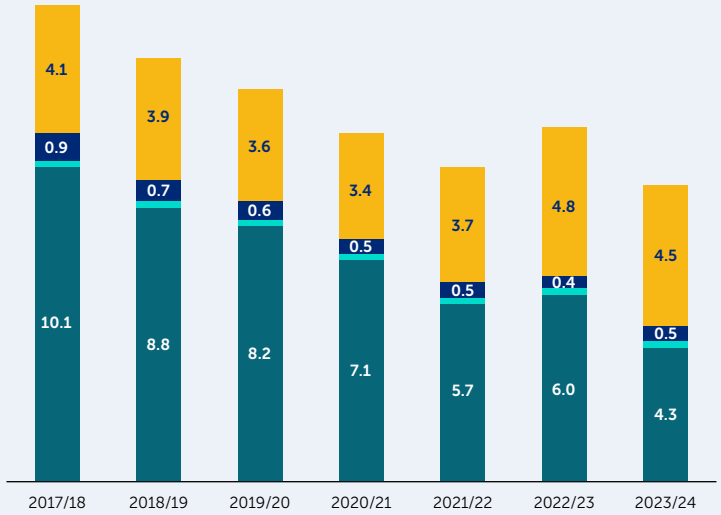
GHG emissions arising from thermal generation activities represents the single most material contribution to SSE's total reported GHG emissions, making up 99% of SSE's scope 1 emissions and 36% of its scope 3 emission through its joint venture investments.

The following discussion focuses on SSE's scopes 1 and 3 emissions, as they represent 95% of SSE's total carbon footprint. Discussion on SSE's scope 2 emissions can be found in SSE's Sustainability Report 2024.

Figure 3: SSE's performance against its science-based carbon targets

Target	Unit	2017/18	2022/23	2023/24	Target	Progress against target
Reduce the GHG intensity of scope 1 GHG emissions by 80% by 2030, from a 2017/18 base year	gCO_2e/kWh	307	254	**205**	61	2023/24: 33% · 2030 target: 80% · 41% of targeted reduction achieved
Reduce absolute scope 1 and 2 GHG emissions by 72.5% by 2030 from a 2017/18 base year	MtCO_2e	11.06	6.52	**4.81**	3.04	2023/24: 57% · 72.5% · 2030 target · 78% of targeted reduction achieved
Reduce absolute GHG emissions from use of products sold by 50% by 2034 from a 2017/18 base year	MtCO_2e	2.53	2.16	**2.01**	1.27	2023/24: 21% · 2034 target: 50% · 41% of targeted reduction achieved
Engage with 50% of suppliers by spend to set an SBT by 2024	%	0	51	**51**	50	2024 target (50%) · 51% · 2023/24 · 102% of target achieved

Figure 4: SSE's GHG emissions by scopes between 2017/18 and 2023/24 (million tonnes CO_2e)



- **Scope 3:** Gas sold (Category 11), Joint Venture investments (Category 15), well-to-tank emission from raw fuels purchased and transmission and distribution emissions from electricity used in non-operational and operational buildings (Category 3), SSEN Transmission network losses (Category 9), contractor vessels (Category 4), and business travel (Category 6)
- **Scope 2:** Electricity consumption in operational and non-operational buildings and SSEN Distribution network losses
- **Other scope 1:** Operational vehicles and fixed generation, sulphur hexafluoride and gas consumption in buildings
- **Scope 1:** Electricity generation carbon emissions

SSE's scope 1 GHG emissions
Absolute scope 1 GHG emissions in 2023/24 was the lowest recorded by SSE. Between 2022/23 and 2023/24, GHG emissions arising from electricity generation, decreased by around 29%. This was predominantly a result of a decrease in output from SSE's thermal generation plant by 22% compared to the previous year, as explained on page 31. An additional factor was that SSE's Tarbert oil-fired power station ceased generation before April 2023, in line with environmental licence requirements, which is a more carbon intensive generation type compared to gas-fired generation. The impact of weather, demand and availability of plant creates variation in the pathway of emissions reduction.

SSE's scope 3 GHG emissions
SSE's reported scope 3 emissions represented the largest portion of SSE's total GHG emissions inventory in 2023/24. The largest contributors to SSE's scope 3 GHG inventory for the year were gas sold to customers (45%) and emissions associated with Joint Venture thermal generation (36%).

SSE's total scope 3 emissions decreased by around 7% between 2022/23 and 2023/24.

The two material contributing factors included:

- A 30% reduction in GHG emissions arising from the processing and transport of fuel used in energy generation, due to the reduction in thermal generation output over the year.
- A 7% reduction in GHG emissions arising from gas sold to customers, due to a fall in Business Energy customer accounts. For more information see the Energy Customer Solutions business operating review on page 80 to 81.

With scope 3 emissions increasingly becoming a greater proportion of SSE's GHG emission inventory as a result of the approach it is taking to deliver its strategy, SSE is working with its Joint Venture partners to ensure each put in place their own Net Zero Transition Plans.

A decarbonised energy sector enables a net zero world and while work has been done to further understand SSE's scope 3 emissions arising from its supply chain activities, they are set to increase while delivering crucial net zero infrastructure over the coming years. SSE is working to better understand the GHG emissions arising from purchased goods and services in order to better manage its supply chain emissions. More information can be found in SSE's Sustainability Report 2024.

Climate adaptation and resilience

The physical impacts of climate change have the potential to adversely impact SSE's operations and interrupt the supply of energy to its customers. SSE is focused on ensuring it is resilient to a changing climate by anticipating and adapting to climate-related impacts. The physical impacts of climate change are considered within SSE's Task Force on Climate-related Disclosures (TCFD) and SSE's network businesses have set out resilience strategies with climate adaptation actions in their price control business plans.

Over 2023/24, SSEN Distribution increased operational resource to respond to 10 named storms. Six of these took place between October 2023 and January 2024, which saw SSEN Distribution restore supply to around 257,000 affected customers over the period. See the engagement in action case study on page 35 for more information.

SSE continues to implement climate risk and adaptation actions to prepare for extreme weather events, including monitoring short- and long-term weather patterns, using climate projections, crisis management and business continuity plans and investment programmes to improve infrastructure resilience.

Installation work under way at Dogger Bank A wind farm

Providing affordable and clean energy

SSE is supporting the transition towards a net-zero energy system through the provision of clean and secure energy, ensuring this is delivered in a way that does not adversely impact reliability and affordability of energy for the end consumer.

Delivering a cheaper, cleaner and more secure energy system

SSE is at the forefront, supporting the delivery of a power system that is dominated by clean renewable energy, flexible generation and net zero-ready grids. While SSE supports energy customers with the short-term impacts of rising energy costs, affordability in the long term remains a key focus, and its planned investment over the next decade of up to £40bn is aimed at addressing the underlying causes of high costs. Creating more low-carbon generation that can be produced at lower costs will protect energy users in the long run as well as reducing exposure to imported fossil fuels.

Targeting an increase in renewables

One of the key ways in which SSE ensures the provision of clean and affordable energy for customers is through the generation of renewable energy. Progress was made over 2023/24 towards SSE's target to grow renewable electricity generation output fivefold between 2017/18 and 2030/31, with output increasing to 11.2TWh, compared to 10.2TWh in 2022/23 (inc. pumped storage, biomass and constrained off wind in GB). SSE Renewables continued to make progress on key flagship projects over the year and reached some important milestones. This included Scotland's largest offshore wind farm, Seagreen, becoming fully operational in October 2023, and, in the same month, first energy being produced at Dogger Bank, which will be the world's largest offshore wind farm when complete.

SSE Renewables continues to focus on developing a strong pipeline of renewable energy projects to meet its own, as well as national, ambitions. Through the NZAP Plus investment programme, SSE Renewables is targeting an installed capacity (net) of up to 9GW of renewable generation, including battery storage, by 2027. It has a current pipeline of around 16.8GW of renewable energy projects, 2.8GW of which was in construction at 31 March 2024.

For more detail on SSE Renewables progress over 2023/24, see pages 74 to 76.

Supporting customers with the cost of energy

SSE recognises the careful balance needed between decarbonisation and the challenging circumstances that many energy customers have faced in recent years. That's why Energy Customer Solutions has continued to support its home and business customers as they deal with the lingering impact of the pandemic and energy crisis.

SSE Airtricity has been supporting customers on the Island of Ireland with the cost of energy

Supporting business customers in Great Britain

In September 2023, Energy Customer Solutions established a £15m support fund for its business customers in Great Britain. This fund helped customers who had signed up to fixed contracts at the peak of wholesale energy prices in late 2022. The fund was in addition to the continued availability of alternative contracts and payment arrangements as well as price reductions through the period.

SSE Airtricity price reductions

Following its commitment to use all 2022/23 profit to aid customers, £7.6m (€8.6m) arising at financial year-end was redistributed to domestic customers through household credits in April 2023. Support for financially vulnerable customers continued in 2023/24 under the €25m customer support fund announced in 2023/24. A further €5m Community Fund was announced in May 2024 to help communities on their path to net zero. The business also introduced two consecutive domestic tariff reductions in Ireland and regulated tariffs were reduced in Northern Ireland. These reductions mean many customers' tariffs have been reduced by almost 20%.

Low carbon solutions delivering better energy pathways

Along with aiding customers through turbulent energy markets, Energy Customer Solutions is equally committed to providing the solutions that help customers reduce energy consumption and their carbon footprint. This growth area had performed well in 2023/24 with Energy Customer Solutions well established as a reputable supplier of quality solutions across Great Britain and Ireland.

Delivering smart building solutions

In Great Britain, Energy Customer Solutions continued its smart buildings growth through propositions, including asset installations and technology platforms, which save carbon, energy and money for customers. This included the delivery of advanced building controls at the Scottish Parliament buildings, which are designed to achieve an energy reduction of 10%. Energy Customer Solutions was also awarded the decarbonisation project to install heat pumps across 11 South London and Kent schools for the Harris Federation.

SSEN Distribution raises awareness around the additional support it can provide customers

Supporting vulnerable residents through retrofit projects in Ireland

In Ireland, progressive government policies continued to stimulate strong growth in 2023/24 with Energy Customer Solutions delivering 2,700 rooftop solar installations alongside its partner Activ8, and almost 1,000 EV chargers. In addition, Energy Customer Solutions continued to be recognised by local councils for its innovative solutions, such as Dun Laoghaire Rathdown County Council, for retrofitting 100 residential units and a daycare centre with a first-of-its-kind district heating system, allowing residential units to be heated by lower capacity heat pump.

Energy Customer Solutions also continued its commitment to support home decarbonisation and delivered 500 home energy retrofits including working in partnership with Northern Ireland's Bryson Charitable Group to deliver solutions for financially vulnerable groups.

Supporting distribution customers

SSEN Distribution works to enable the net zero transition at a local level , at the same time as ensuring customers have secure and reliable energy.

Providing an inclusive service to network customers

SSEN Distribution's Priority Service Register (PSR) provides adapted services and additional support to customers who are in potentially vulnerable situations, and who may be particularly affected in the event of supply interruptions. People's situations change over time, so SSEN ensures that it continually raises awareness around its PSR to ensure it captures as many people in need as possible. It does this through a range of activities including running awareness campaigns, partnering with other service providers and through the dedicated website launched in early 2023, thepsr.co.uk. In 2023/24, the number of customers on SSEN Distribution's PSR was 925,349 – an increase of over 70,000 compared to the previous year.

Vulnerable customers at the heart of strategy

In March 2024, SSEN Distribution was the first electricity network operator to enshrine the needs of its most vulnerable customers at the heart of its plans for developing the electricity networks of the future. Through the delivery of its innovation project, known as Vulnerability Future Energy Scenarios (VFES), it predicts when and where communities are less resilient, less affluent, and more seriously affected by prolonged or frequent interruptions to supply.

VFES also predicts the likelihood of customers missing out on the benefits low-carbon technologies. The level of understanding that VFES brings will help enhance plans for network investment strategies, not just in regions which will see a high uptake in low-carbon technologies, but also communities where customers rely on energy more than most and who may need more support with using low-carbon solutions.

A refreshed Consumer Vulnerability Strategy

SSEN Distribution is acutely aware of how its business can help a society currently tackling the rising costs of living, climate change and the impacts of the net zero transition. In March 2024, it refreshed its Consumer Vulnerability Strategy to further enhance the role it plays in assisting customers who are in, or are experiencing, vulnerable situations.

The refresh includes a renewed approach to collaboration, partnerships, and innovation, meaning SSEN can do more to meet the changing needs of customers, communities, and society. SSEN Distribution's partnership framework is focused on building meaningful and strong partnerships that deliver more through collaborations. Through the use of metrics, such as Social Return on Investment (SROI) and PSR reach, SSEN Distribution is working with existing partners to maximise support and onboard new partnerships to ensure it funds initiatives where they will have the biggest impacts on customers, in the communities where the need is greatest. Its ambition is to deliver £23m in consumer benefits as a direct result of the targeted investments it will make.

Engagement in action

Supporting customers, no matter the weather

The increasing severity and regularity of extreme weather events can pose significant disruption to SSE's operations, particularly in its electricity distribution business which is at the forefront of responding to these impacts. Between mid-October 2023 and the end of January 2024, SSEN Distribution responded to six named storms – Babet, Ciaran, Gerrit, Henk, Isha, and Jocelyn. SSEN Distribution deploys increased operational capacity in events like these and the teams worked in challenging conditions, with a clear focus on restoring customers' electricity supplies as safely and quickly as possible. As well as restoring electricity supplies, SSEN Distribution supported affected communities by proactively contacting vulnerable customers on the Priority Services Register, providing hot meals and handling large volumes of calls in its Customer Contact Centre.

By the end of January, SSEN Distribution's response teams had restored supply to around 257,000 affected customers, and received recognition in the UK and Scottish Parliaments for their efforts and resilience. SSE continues to implement mitigation methods it has in place to prepare for extreme weather events such as these, including monitoring short- and long-term weather patterns, crisis management and business continuity plans and investment programmes to improve infrastructure resilience.

OCTOBER 2023	NOVEMBER 2023	DECEMBER 2023
Storm Babet Aberdeenshire, Angus and Perthshire **37,000** customers restored	**Storm Ciarán** Central southern England **35,000** customers restored	**Storm Gerrit** North of Scotland **48,000** customers restored

JANUARY 2024		
Storm Henk Central southern England **60,000** customers restored	**Storm Isha** Central southern England and north of Scotland **70,000** customers restored	**Storm Jocelyn** North of Scotland **7,000** customers restored

SSEN Distribution's response teams support local communities during supply interruptions

Investing in industry, innovation and infrastructure

SSE's significant investment in net zero infrastructure must be done in a way that fosters innovation and collaboration, and ensures social and environmental impacts are carefully managed to create lasting positive impacts in local communities.

A strategic approach to innovation

Innovation has a central role in the delivery of SSE's strategic objectives, allowing it to accelerate the readiness of the technologies needed to support the net zero transition.

Establishing a Group-wide approach

In early 2024, SSE established an internal cross-Group Innovation Advisory Council which sets out SSE's strategic vision and direction for innovation. While each of SSE's Business Units are supported to define their own innovation priorities and integrate new technologies, the new council serves to identify promising new technologies relevant to clean energy and acts as a forum for SSE's Business Units to share knowledge. This Group-centred approach supports the consideration of innovation in a whole energy system context, ensuring maximum benefits can be realised by the business.

Collaboration at the core

SSE has strategic partnerships with academic institutions, designed to ensure mutual knowledge transfer between academia and industry to drive forward the energy transition. It has well-established partnerships with Imperial College London and the University of Strathclyde, in the UK, and also partners in one of Ireland's leading all-island energy research programmes, 'NexSys', hosted by University College Dublin.

In December 2023, SSE announced a new partnership with the University of Highlands and Islands (UHI), in Scotland. With the Highlands and Islands at the heart of an accelerated transition to net zero, it is important that the scale of the coming investments benefits the region. The overall objective of the partnership is to ensure that as many of the job and economic opportunities in the Highlands and Islands as possible will benefit its people and communities, supporting environmentally sustainable economic development.

Sustainable supply chains

SSE considers the principles of sustainable procurement as a vital tool in managing risks, maximising opportunities, assessing value and monitoring performance, while enabling stronger relationships with its supply partners.

A Sustainable Procurement Plan

In February 2024, SSE sought to increase transparency around its commitment to sustainable procurement through the launch of its Sustainable Procurement Plan. The new Plan, which is available at sse.com, communicates SSE's sustainable procurement initiatives from both a Group and Business Unit perspective, and outlines its future ambitions to SSE's suppliers and other stakeholders. The plan consists of six key pillars with objectives mapped against them, as well as a goal setting plan for SSE's tier one suppliers which represent 90% of its supply chain by spend, called the 90% Club. Progress against these ambitions will be monitored annually through a range of data capture methods.

Over the course of 2023/24, SSEN Distribution published its business-specific Sustainable Supplier Code chain code and SSEN Transmission launched its new Delivery Charter, both seeking to encourage collaborative work with supply chain partners to achieve joint sustainability ambitions.

Strategic supply chain engagement

Over 2023/24, SSE further strengthened its supply chain engagement on sustainability through partnering with EcoVadis, a well-established business sustainability ratings platform, to understand and monitor supplier performance. SSE set an ambition to have 70% of its supply chain by spend achieve a valid EcoVadis scorecard by April 2024. At 31 March 2024, 51% of its suppliers by spend had been engaged and were evaluated or undergoing an evaluation. Scorecards support strategic engagement with suppliers on targeted sustainability topics, goals, and performance. SSE's own EcoVadis performance is gold rated with a scorecard of 71, and it performs in the 95th percentile within its industry.

Driving sustainable outcomes through SSE's businesses

SSE's Business Units are at the forefront of delivering the infrastructure needed for net zero, and work to deliver this in a sustainable way for the benefit of local communities and wider society.

Leaving a lasting local legacy

SSEN Transmission's £20bn Pathway to 2030 programme represents the largest investment programme in the north of Scotland grid since the 1950s and is critical to meet UK and Scottish climate targets. SSEN Transmission aims to ensure this scale of investment creates lasting, meaningful benefits for the local communities in the region.

Engagement in action

Taking a stakeholder-led approach to project development

SSEN Transmission is undertaking significant community and stakeholder engagement to consult on plans for its Pathway to 2030 projects, seeking to address concerns raised at a local level.

In December 2023, SSEN Transmission published the results of the first round of community consultation events, confirming several stakeholder-led changes to the development of its plans which have included moving locations and preferred sites of two key substations. SSEN Transmission also held over 40 community consultation events in February and March 2024 to allow members of the public to engage with project teams and directly influence ongoing project refinement.

As the development of SSEN Transmission's Pathway to 2030 projects progresses, ahead of planning submissions later in 2024, it will continue to take a proactive approach in seeking feedback and is committed to work constructively with all key stakeholders and local communities to maximise legacy benefits and find balanced solutions for project delivery.

As part of this work, SSEN Transmission announced in December 2023, that it will create long-term, skilled, green employment opportunities across the region with the recruitment of 400 new employees over 2024. It also announced plans to develop a housing strategy, with a commitment to deliver 200 new homes across the north of Scotland which, following completion of the projects, will support local housing requirements. Further benefits will include the establishment of a Community Benefit Fund in the north of Scotland, which is expected to be worth in excess of £100m over its lifetime subject to UK Government guidance, and money off bills for those located closest to new infrastructure.

These initiatives, alongside placing multi-million-pound contracts with local supply chain partners, will create billions of economic value for Scotland.

Delivering world firsts in partnership at Dogger Bank

In October 2023, the world's largest offshore wind farm under construction, Dogger Bank, started producing electricity for the first time. Situated 130km off the coast of Yorkshire, Dogger Bank is a joint venture between SSE Renewables (40%), Equinor (40%) and Vårgrønn (20%). SSE is the lead operator for the development and construction for the 3.6GW wind farm, which is being constructed in three 1.2GW phases known as Dogger Bank A, B and C.

First power followed the installation of the first of GE Vernova's Haliade-X 13MW turbines in June 2023, one of the largest and most powerful globally. This is the first time Haliade-X units have been energised offshore anywhere in the world. Each rotation of the 107m long blades on Dogger Bank's first operational turbine can produce enough clean energy to power an average British home for two days. Installation of the turbine was undertaken by the largest offshore jack-up installation vessel ever built, called Voltaire, which is also the first seagoing installation vessel to be an Ultra-Low Emission vessel.

The development also involves the installation of the world's first unmanned High Voltage Direct Current (HVDC) offshore substations, the first of which was installed in April 2023.

Principles for sustainable biofuel use

SSE Thermal's Tarbert site in County Kerry has a proud history of power generation. With the former oil-fired station closing at the end of 2023 due to environmental requirements, SSE's focus is now on repurposing the site for a net zero future.

Over 2023/24, plans were progressed for a new 350MW Open Cycle Gas Turbine (OCGT) at Tarbert which would run on 100% sustainable biofuels, specifically Hydrotreated Vegetable Oil (HVO). With the potential to convert to hydrogen in the future, Tarbert Next Generation Power Station can support both short-term security of supply needs and long-term decarbonisation efforts.

HVO has a lower greenhouse gas emissions profile across its lifetime when compared to alternatives such as diesel or natural gas combustion. To ensure the HVO sourced is sustainable, SSE has established a set of standards which requires the HVO to:

- be sourced from 100% waste feedstocks, the raw materials for which are grown on a seasonal basis so there is no long-term 'carbon debt';
- be certified to both International Sustainability and Carbon Certification and Renewables Fuel Assurance Scheme as well as meeting the EU's RED II sustainability requirements.

SSE Thermal will source HVO from one of the multiple suppliers in Ireland certified in line with RED II. Due diligence will be conducted in accordance with SSE's Human Rights and Modern Slavery statement and policy.

Enabling net zero at the local level

Local electricity networks are key in the transition to net zero and SSE has been supporting local authorities to identify the changes and resources needed to achieve net zero at a community level. In October 2023, SSEN Distribution launched its innovative Local Energy Net Zero Accelerator (LENZA) tool, designed to help local councils accelerate the development of holistic and efficient local area energy plans.

The LENZA tool shows live capacity on the network and predicted constraints, allowing local authorities to make better decisions on where to put new energy assets or roll out low-carbon programmes. This enables these technologies to be sited in cost-effective locations in places for the benefit of all people in local communities. SSEN Distribution has onboarded the first group of five local authorities to the tool, which is now available to all local authorities across SSEN's licence areas, and will be deployed on a staged basis.

Committed to decent work and economic growth

SSE is embedded in the communities and places in which it operates. Through the operation of long-term assets and the delivery of new investment, it works to create and share enduring value with communities and wider society.

Powering a just transition

SSE deliberately seeks to manage the social impacts of the transition to net zero in a way that is fair to working people, communities and consumers. It is guided by its Just Transition Strategy – a framework of principles designed to guide SSE's decisions and actions as it transitions from high-carbon activity to net zero.

A strategic approach to a just transition

SSE's Just Transition Strategy is based on 20 principles that sit under five key themes: good green jobs, consumer fairness, building and operating new assets, looking after people in high-carbon jobs and supporting communities. The principles are deliberately comprehensive, taking a whole-system perspective of the impact of the net zero transition, to ensure the best possible outcomes for all stakeholders.

SSE's approach is to ensure that the practical, real-world action it takes is informed by research and learnings, creating meaningful impacts. It does this through observations from its own experience and activities, as well as through external partnerships and collaborations.

A targeted worker transition

Three years of targeted research is giving SSE important insight into the nature of the worker transition already under way. The most recent all employee survey in September 2023, shows that just over 1 in 4 employees had already transitioned from a high-carbon role to a low-carbon career with SSE, up from 1 in 5 in 2021. Analysis of SSE's new recruits in 2023/24 identified that 35% are former high-carbon workers overall. SSE Renewables and SSEN Transmission are the most popular destination for former high-carbon workers which combined account for over 1,000 such employees. The survey also showed that they are more engaged than other employees, particularly with SSE's net zero strategy, and have a strong focus on health and safety, which is a number one priority for SSE.

> 1 in 4

employees have transitioned from high-carbon roles to a low-carbon career with SSE

This internal research builds on further activity SSE commissioned from the University of Edinburgh in 2023/24. The research specifically looked at sunset (decline) and sunrise (growth) industries over time, the skills make up of these workers and identifying overlaps with the energy industry, exploring opportunities for ensuring that the transition from sunset and competition with sunrise industries is managed in a just and sustainable way.

35%

of new recruits are former high-carbon workers

The report findings include outlining possible risks of an unjust transition and highlighting opportunities to reskill and attract new recruits into SSE. SSE will use the key findings to inform more targeted future recruitment and workforce strategies, as well as in developing a better understanding of the external landscape which will inform SSE's wider work around the just transition.

A strategy aligned to best practice

The importance of carefully managing the social consequences of net zero and the consideration of a just transition is increasingly becoming mainstream. SSE deliberately seeks to participate in shared learnings and, in February 2024, it supported the Grantham Research Institute Just Transition Finance Lab.

A key point noted by investors is the importance of using indicators and metrics to measure progress against strategies. As a result, a review of the SSE's Just Transition Principles is under way, with the objective of identifying a basket of key performance Indicators to support stakeholder engagement on SSE's performance in meeting its just transition objectives.

SSE's economic contribution in the UK and Ireland 2023/24

Ireland

Contribution to GDP
€1.06bn
(2022/23: €429m)

Jobs supported
3,270
(2022/23: 2,430)

Taxes paid
€68.0m
(2022/23: €53.8m)

Investment in communities
€0.9m
(2022/23: €4.0m)

UK

Contribution to GDP
£5.96bn
(2022/23: £6.04bn)

Jobs supported
53,230
(2022/23: 39,940)

Taxes paid
£679.2m
(2022/23: £502m)

Investment in communities
£11.5m
(2022/23: £13.3m)

Contributing to regional just transition discussions

SSE has considerable practical experience of the just transition, with valuable industry and region-specific insight. In November 2023, SSE was invited to provide oral evidence to the Scottish Parliament Economy and Fair Work Committee for its inquiry into a just transition to net zero in the North East and Moray regions of Scotland. The oil and gas sector is a large employer across these regions and the inquiry seeks to explore how, as the country transitions to net zero and the industry transforms, good outcomes are achieved for these workers and companies.

One of the themes covered in the session focused on the skills transformation required for the transition, and how existing local workforce skills can be harnessed and developed. It also considered the advantage the region has in renewable technologies and how a wider renewables supply chain can be built to facilitate a just transition.

SSE welcomed the final report published in March 2024, which provided a range of recommendations to the Scottish Government around how policies and workstreams could better support a just transition.

Creating social and economic value

Through its activities SSE works to ensure it shares value with society by generating economic value, contributing to the public purse and creating lasting benefits for local communities.

Creating economic value and jobs

Since 2012, SSE has commissioned an independent assessment each year to estimate the value it contributes through GDP and the jobs it supports across the UK and Irish economies. Over 2023/24, SSE contributed an estimated £5.96bn to UK and €1.06bn to Irish GDP, compared to £6.04bn and €429m respectively in 2022/23 (not adjusted for current prices). In the same period, jobs supported in these countries increased by around 33%, to 56,500 from 42,370 the previous year, largely as a result of increased supply chain activity.

More detail on SSE's contribution to GDP and jobs supported in 2023/24 and discussion around trends can be found in SSE's Sustainability Report 2024. The Sustainability Report and all of SSE's economic contribution reports can be found at sse.com/sustainability.

Paying it back: the importance of tax

With fair tax the cornerstone of SSE's approach to sharing value, 2024 will mark the 10th anniversary since SSE was first accredited as a Fair Tax Mark company representing SSE's enduring commitment to paying its fair share of tax, at home and abroad. This was reinforced by SSE's move to the Fair Tax Foundation's Global Multinational Business Standard in 2022/23.

Over 2023/24, SSE's total tax contribution was £1.47bn, consisting of £739m taxes paid (including £375m in profit taxes) and £727m taxes collected. Further information on SSE's taxes can be found on pages 231 to 233 of this report, and in the Sustainability Report 2024.

In November 2023, SSE published its eighth Talking Tax Report, disclosing SSE's tax affairs in a simple, transparent, and understandable way for its stakeholders. SSE's Talking Tax reports can be found at sse.com/sustainability.

Long-term investment in local communities

One of the most direct ways SSE shares value is through the year-on-year investment in the communities that host many of its assets. During 2023/24, SSE invested a total of £12.2m in communities across the UK and Ireland. The largest contributor to this was £10.3m awarded through SSE Renewables Community Investment Funds in the UK and Ireland.

In 2023/24, SSE achieved important milestones in its community investment, including:

- Marking a decade of its first-of-a-kind regional Community Investment Fund, the Sustainable Development Fund, which has awarded £13.5m since its creation.
- The launch of SSEN Transmission's first Community Benefit Fund for communities in the north of Scotland, which is expected to be worth in excess of £100m over its lifetime (see more on page 37).

SSE recognises that this investment must be done in a responsible way that supports community cohesion and creates lasting legacies. SSE's Group-wide community investments adhere to a consistent set of principles based on transparency, co-creation, maximising impact, and good governance. More detailed disclosure on SSE's community investment can be found in SSE's Sustainability Report 2024.

Reinforcing a healthy business culture

SSE works hard embedding its healthy workplace culture where all employees are treated with fairness and respect.

Doing the right thing

SSE's healthy ethical business culture is inextricably linked to its six core values. Called the SSE SET – Safety, Service, Efficiency, Sustainability, Excellence and Teamwork – they are the behaviours expected of all those who work for, and on behalf of SSE.

To help embed the standards that promote better outcomes, SSE's employees are guided by its Doing the right thing guide to good business ethics. The guide applies to direct employees and those that work on SSE's behalf, and covers a wide range of topics from staying safe and secure, trading fairly and transparently to working together and engaging with stakeholders. It is available publicly at sse.com/about-us/our-culture and is promoted to all employees as well as being highlighted to suppliers in SSE's Sustainable Procurement Code.

Engagement in action

Resetting the SSE SET

SSE has six well-established core values, but in a changing environment it is important that they continue to inspire the behaviours expected. This is particularly important for SSE as a growing business with an evolving employee base. Focus groups hosted by the Institute of Business Ethics (IBE) tested the relevance of the SSE SET with colleagues from across all levels of the Company. As SSE's number one value, Safety was excluded as it was considered an area of unwavering focus. Results were clear that the values still resonate with colleagues but the underlying descriptors could focus more on SSE's innovative and inclusive approach, better reflecting its ethical ways of working. SSE received positive feedback from IBE for the fact that all colleagues who took part could easily articulate what their team did and outline how it connected back to SSE's purpose, values and doing the right thing.

The new, simpler wording, endorsed by the Board, makes it clear to everyone what is expected no matter their role. The SSE SET descriptions were launched over the course of a week in November 2023 which focused on key topics associated with doing the right thing, which saw around 6,750 colleagues joining the series of employee calls held.

SSE has a suite of mandatory ethics and compliance training including annual modules on cyber security, data protection, inclusion and diversity, as well as bribery and anti-corruption which all employees must complete biennially. Additional modules on competition law, business separation and REMIT are required for selected employees. A review of cultural metrics is undertaken twice annually by the Board supported by a cultural dashboard (see page 127).

Supporting employees to speak up

The foundation of a healthy business culture is one where everyone feels confident to report any concerns of wrongdoing without fear of repercussion, and where issues identified are dealt with quickly and appropriately. Those who work for or on behalf of SSE are encouraged to speak up and are protected from any adverse impact of doing so. In addition to internal reporting channels, SSE has an independent whistleblowing channel, hosted by Safecall, with the option to report anonymously.

The number of reports of suspected wrongdoing has increased in 2023/24, with 73 reports made through SSE's speak up channels, compared to 50 the previous year. This increase is partly a result of a concerted effort to make the reporting process more simple and accessible, and is to be expected with a growing employee population. Recognising the detrimental impact of an investigation on all parties involved, a further focus over 2023/24 year was limiting the duration of the investigation period to a maximum of 45 days.

Detailed information around the categories of reported incidents and the outcomes of investigations, alongside how SSE supports employees who have spoken up, can be found in SSE's Sustainability Report 2024, available at sse.com/sustainability.

Valuing employee voice

A key way to measure how healthy a business culture is, is through listening to employee feedback. Through this, SSE can take appropriate action to improve employee experience where possible. SSE undertakes an in-depth all employee survey every two years and a shorter 'pulse' survey on alternate years. 88% of employees provided feedback in the 2023 in-depth survey, SSE's highest response rate in recent years. The engagement score increased to 85% from 84% in last year's pulse survey.

Three core themes were identified from the 2023 survey: Strategic engagement, Cultural engagement and Ways of working. SSE's Business units are developing action plans, based on local results, to prioritise enhanced engagement across these areas.

SSE's 2023 employee engagement results

Sustainable Engagement Score

85%

(2022/23: 84%)

Looking after safety and wellbeing

Safety and wellbeing is at the heart of SSE's culture and is ingrained in the way it does business. Safety is SSE's number one Company value, with the objective that "everyone gets home safe".

Monitoring health and safety performance

Everyone at SSE operates to the licence "If it's not safe, we don't do it". That focus is all the keener following the tragic fatality of Richard Ellis, one of SSE's contractors' employees who died in an offsite incident.

SSE's performance expectation for 2023/24 was set as a Total Recordable Injury Rate (TRIR) of 0.11 for SSE employees, and 0.31 for contractors. SSE's TRIR for employees exceeded the performance expectation, with a marked improvement as it fell to 0.07 from 0.10 in 2022/23.

SSE's contractor TRIR performance fell well short of this performance expectation and the high standards SSE seeks to uphold. The TRIR for contract partners increased to 0.41 from 0.34 in 2022/23. This reflects a significant increase in investment and construction activity, and the associated rise in contract partner hours worked. Whilst the outturn highlights an increase in Contractor TRIR, the severity of injuries has reduced, namely a reduction of 11% in contractor RIDDOR Reportable incidents*.

Taking into account performance in 2023/24 and the expected trend in operational and construction activity, SSE has set a TRIR performance expectation for 2024/25 of 0.09 for direct employees, and 0.40 for contractors. Considering the increased activities and workload within all Business Units, this will be a challenging task but is believed to be achievable.

Focusing on contractor safety

SSE recognises that the increase in investment and construction required to achieve its business goals results in the associated increase in contractor hours worked in activities that often have a higher risk profile than day-to-day operational activities. In response to this, in 2022/23, SSE formed a new central Contractor Safety Team supported by dedicated Contractor SHE Managers and Assurance Auditors to focus on contractor safety performance. SSE benefits from relationships with professional contract partner organisations to support its operations and projects. Building on these relationships to set high standards on Safety, Health and Environment has been a key focus over 2023/24. SSE is working to ensure it gets everyone home safe as it embarks on an increased level and pace of project activity.

* As classified in the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR).

Table 1: Total Recordable Injury Rates for SSE's employees and contract partners

	Unit	2023/24	2022/23
Total Recordable Injury Rate – employees and contractors	Per 100,000 hours worked	0.20	0.19
Total Recordable Injury Rate – employees	Per 100,000 hours worked	0.07	0.10
Total Recordable Injury Rate – contract partners	Per 100,000 hours worked	0.41	0.34

Tracking attitudes to safety and wellbeing

Where I work, we make it easy for people to do the right thing on safety, health and environment

94%

(2022/23: 94%)

I am able to balance my work and my personal responsibilities

87%

(2022/23: 85%)

Over the course of 2023/24, a core focus of the Contractor Safety Team was on large capital projects, which is an area where most of SSE's capital and construction activity is taking place. This focus has brought about continued improvement across large capital projects with a reduction in severity of incidents recorded. In November 2023, SSE also held its first Safer Together contractor event, attended by over 130 contractor partners, to talk about how it can collaborate more with contractors on safety.

Throughout 2024/2025, SSE will update its SHE Specification to help standardise how it works with partners, introduce a performance measurement platform and continue the positive collaboration.

More information on SSE's approach to governing health and safety is provided in the Safety, Sustainability, Health and Environment Advisory Committee Report on pages 154 to 157.

An immersive training experience

Over 2023/23, SSE has been rolling out an immersive training experience to help colleagues and partners gain a deeper level of emotional connection when something goes wrong. This multimillion-pound programme included building SSE's own centre, the Faskally Safety Leadership Training Centre in Perth, a first of its kind for Scotland. At 31 March 2024, around 1,700 employees and contract partners had been trained and, with the launch of SSE's own new facility in April 2024, over 39,000 employees and contract partners will experience this immersive training over the next three years.

Engagement in action

Supporting workers in construction

In November 2023, SSE partnered with the Lighthouse Construction Industry Charity (LCIC), which is the only charity solely dedicated to the emotional, physical and financial wellbeing of construction workers and their families. Support provided includes a 24/7 Construction Industry Helpline which offers a range of free and confidential wellbeing support services. This is complemented by a free app and online portal which offer expert guidance on a variety of wellbeing issues. Workers and their families can also access LCIC's Wellbeing Academy which covers a variety of courses supporting industry workers, from soft skills training through to Mental Health First Aider accredited qualifications.

SSE's activities are highly focused on the construction and delivery of low-carbon infrastructure assets, and its ambitious NZAP Plus investment plan will mean this increasing over the coming years. Through its partnership with the LCIC, all of SSE's employees, contractor partners and their families, will have access to essential physical and mental wellbeing support, free of charge.

Projects like SSE's Viking wind farm are providing quality, low-carbon jobs

Fair and decent work for all

Providing good and meaningful employment should be a minimum commitment for any employer and is a priority for SSE. At the cornerstone of this commitment is a fundamental respect for human rights and fair remuneration for those working on SSE's behalf.

Paying it fair

In September 2023, SSE celebrated 10 years of being a real Living Wage accredited employer in the UK. Since first being accredited in 2013, SSE has continuously strengthened its commitment to the living wage over the decade.

Recognising that a living income requires regularity and certainty of work, SSE was one of the first companies in the UK to become a Living Hours employer. In November 2023, SSE built on its commitment by becoming a Living Pensions accredited employer, which seeks to provide stability and security for workers now and in the future.

Furthering its commitment to fair reward, in March 2023, SSE announced an enhanced approach to its Personal Contract Pay for employees in the UK and Ireland. The new approach ensures faster progression through salary bands and faster progression for high performers. More information can be found in SSE's Sustainability Report 2024, available at sse.com/sustainability.

Respecting fundamental human rights

Human rights abuses and modern slavery in all its forms are unacceptable to SSE. SSE is fully committed to upholding key international frameworks around fundamental human rights, which are set out in SSE's Group Human Rights Policy, available at sse.com.

Everyone in SSE has the fundamental right to freedom of association and to join a trade union. SSE has four recognised trade union partners which it works with through the Joint Negotiating and Consultative Committee and through regular ongoing dialogue. In 2023/24, 47.6% of SSE's total direct workforce was covered by collective bargaining agreements.

Investing in a workforce for net zero

SSE seeks to provide attractive employment opportunities with meaningful, long-term careers. SSE's recruitment strategy seeks to bring new talent into the organisation, at the same time as investing in the development of its existing workforce.

A growing workforce

Over 2023/24, SSE continued with its commitment to create at least 1,000 jobs every year until 2025 to meet the demands of its growing Business Units. A total of 4,381 positions were filled across internal and external recruitment and SSE's overall headcount increased by 1,711 at 31 March 2024, representing a 14% rise compared to the previous year. Headcount growth was seen across all of SSE's Business Units but most notably in its transmission and renewables businesses.

SSE's headcount includes 131 employees in locations outside the UK and Ireland. The data excludes 1,089 employees related to the reacquisition of Enerveo (formerly SSE Contracting) in March 2024.

In 2023/24, SSE's employee retention rate improved slightly to 91.3%, whilst its voluntary turnover rate was 5.5%, compared to 7.0% in 2022/23. This continues the trend of a return to pre-pandemic labour market conditions. SSE's retention and turnover rates also reflect the results of the 2023 all employee survey, in which scores for overall employee engagement and for reward and retention themes were higher than both the Energy and Utilities and UK national averages.

Developing SSE's talent

Over 2023/24, SSE invested a total of £32.0m in learning and development and pipeline programmes, compared to £23.3m the previous year. This rise was largely due to increased investment in SSE's pipeline programmes, the vast majority of which was due to a significant increase in investment in SSE's graduate programme.

Advancing pipeline programmes

In 2023/24, the number of people on one of SSE's pipeline programmes increased by 36% compared to the previous year. This consisted of 345 apprentices, 322 graduates, along with 76 trainee engineers and 26 individuals on an employability programme.

SSE's graduate programme has grown considerably in recent years, and in 2023/24 a strategic refresh was undertaken to ensure it fully met the needs of the graduates and SSE's business. More information can be found in SSE's Sustainability Report 2024 available at sse.com/sustainability.

Enabling the best performance

Since April 2022, SSE has made significant investment and focused efforts on enabling the best performance of its people and retaining its top talent. In August 2023, as part of this commitment, SSE introduced Performance Edge – an evolved approach to leading and managing performance. Performance Edge is designed to equip employees to focus on the delivery of SSE's strategic priorities through agile conversations and continuous learning, feedback, and coaching.

Investing in a skilled workforce 2023/24

Investment in learning, training and development
£12.5m
(2022/23: £10.4m)

Investment in pipeline programmes
£19.5m
(2022/23: £12.8m)

Total number of people on a pipeline programme
769
(2022/23: 564)

Cumulative total investment in Performance Edge
£1.9m
(2022/23: £0.8m)

Average training hours per full-time equivalent employee
21.1
(2022/23: 19.8)

SSE is creating at least 1,000 jobs a year until 2025

SSE's workforce 2023/24*

Total headcount at 31 March
13,891
(2022/23: 12,180)

Positions filled (internal and external recruitment)
4,381
(2022/23: 4,401)

Employees joining SSE
3,286
(2022/23: 3,226)

Retention rate
91.3%
(2022/23: 89.5%)

* Employee statistics exclude information for 1,089 employees related to the reacquisition of Enerveo (formerly SSE Contracting) in March 2024.

Driving inclusion and diversity

To deliver SSE's ambitious investment plans, a workforce with diversity of thought, experience, and skills is required. SSE's Inclusion and Diversity Strategy includes a range of targeted initiatives, designed to embed a culture of inclusion with rich diversity as a result.

Measuring inclusion and diversity progress

To enable positive progress, SSE sets stretching and measurable ambitions that align with best practice and monitors progress against them. SSE's diversity ambitions for all employees and senior leadership are outlined in Tables 2 and 3 respectively.

SSE's workforce diversity

Through concerted efforts, SSE has significantly increased the proportion of employees disclosing their diversity data, so it can better understand its workforce. Over 2023/24, the employee diversity data disclosure rate increased from 39% in 2022/23 to 65%. This allows SSE to disclose more accurate information around its workforce diversity.

SSE has a wide range of initiatives to drive progress for representation across all diversity categories. Information on these initiatives, alongside actions taken to improve the quality of diversity data gathered, can be found in its Inclusion and Diversity Report 2024.

Employee sentiment on inclusion and diversity

I can be myself at work without worrying about how I will be accepted by colleagues

89%

(2022/23: 91%)

Table 2: SSE's progress against diversity ambitions for all employees*

Employee representation	Ambition Year	Ambition	31 March 2024	31 March 2023
Women	2030	33%	31.0% (9,586 men/ 4,305 women)	30.0% (8,525 men/ 3,655 women)
Employees with a disability	2030	8%	11.6%	8.9%
Ethnic minority	2030	15%	10.1%	8.1%
LGBTQIA+	2030	8%	4.1%	3.8%

* Data is collected on SSE's HR data reporting system. Gender has a 100% completion rate, and is based on biological sex. Disability, ethnic minority, and LGBTQIA+ data is voluntarily disclosed by employees, with a 65% disclosure rate at 31 March 2024 and a 39% disclosure rate at 31 March 2023. Data excludes those without facility to share data electronically.

SSE's Inclusion and Diversity Report 2024

Information around SSE's Inclusion and Diversity Strategy, and further detail around initiatives and performance can be found in SSE's Inclusion and Diversity Report 2024, available at sse.com/sustainability.

Apprentices get to grips with safety procedures at SSE's Perth Training Centre

Table 3: SSE's progress against senior leadership diversity ambitions

Diversity category	Ambition Year	Ambition	31 March 2024	31 March 2023
Proportion of women represented on:				
Board Group	Ongoing	50% with no less than 40%	41.7% (7 men/5 women)	46.2% (7 men/6 women)
Group Executive Committee (GEC)[1]			10.0% (9 men/1 women)	27.0% (8 men/3 women)
GEC[1] and direct reports (excl. administrative roles)	2025	40%	37.5% (50 men/30 women)	34.1% (54 men/28 women)
Leadership Group[2]	2030	40%	26.4% (948 men/340 women)	25.2% (812 men/274 women)
Proportion of ethnic minorities represented on:				
GEC[1] and direct reports (excl. administrative roles)	2027	6%	2.5%[3]	–

1 The GEC comprises all committee members and the committee secretary. The data reflects Catherine Raw stepping down from the GEC in January 2024 prior to her leaving SSE in April 2024. Finlay McCutcheon succeeds Catherine in the role of Managing Director, SSE Thermal and will join the GEC in September 2024.
2 Employees in SSE's senior level pay grades.
3 Based on an 88% disclosure rate at 31 March 2024.

Diversity in senior leadership

SSE's senior leadership gender diversity ambitions are outlined in Table 3. Senior leadership gender ambitions are set in line with the FTSE Women Leaders Review. In 2023, SSE established a new ambition to achieve 6% ethnic minority representation within its Group Executive Committee and direct reports by 2027. This new ethnicity target was set in line with the Parker Review recommendations. All senior leadership diversity ambitions are approved by the Group Executive Committee (GEC) and Board-level Nomination Committee.

When working towards ethnicity targets for senior leadership, all companies will have different starting points, and SSE believes that disclosing the baseline performance as well as the ambition is important to allow stakeholders to understand the specific context for different companies. When setting the target in December 2023, the representation of ethnic minorities in the GEC and direct reports was 1.2% (based on an 80% disclosure rate). This base line performance, combined with industry and geographical averages were all taken into account when setting the new ethnicity target. At 31 March 2024, representation of ethnic minorities had increased to 2.5% (based on an 88% disclosure rate).

In 2023/24, the Group Executive Committee and direct reports and SSE's Leadership Group saw increases in the proportion of women represented while there was a decline in the proportion of women represented on its Board and GEC. Changes in Board diversity reflect the stepping down of Sue Bruce after nine years tenure and is in line with the planned Board changes set out in the Annual Report 2023.

Full details of changes across membership of the Board and GEC, alongside the Nomination Committee focus are set out on pages 120 and 138 to 143.

SSE's gender pay gap

Between 2023 and 2024, SSE saw a positive trend in both its UK median and mean gender pay gap performance. SSE saw a drop of 3.3 percentage points in its median UK gender pay gap, which is the measure that SSE believes best reflects performance. This is the largest proportional drop in SSE's median UK gender pay gap since 2020, when SSE's workforce composition significantly changed after the sale of its domestic retail business in GB.

This reduction can be partly attributed to the impact of a targeted recruitment strategy and practice, through which SSE saw the ratio of women hired into senior level roles increase compared to the previous year. The gender pay gap for these senior level joiners was markedly lower than the gender pay gap for existing employees at the same level, and this has helped drive the overall gap downwards.

Further detail and discussion on SSE's gender pay gap statistics, including additional data, analysis, and disclosure of the wide range of actions taken to reduce the pay gap, is provided in SSE's Inclusion and Diversity Report 2024, available at sse.com/sustainability. SSE will publish its Ireland Gender Pay Gap Report 2024 later in the year, in line with the Irish Government requirements.

SSE's UK gender pay gap performance 2024*

UK median gender pay gap

12.0%

(2023: 15.3%)

UK mean gender pay gap

10.5%

(2023: 12.1%)

* Data at 5 April in each year.

Protecting and restoring the natural environment

Nature plays an integral role in the transition to net zero. SSE carefully manages the interactions it has with the environment, aiming to mitigate any negative environmental consequences of its activities and ultimately to have a positive overall impact.

A strategic approach to environmental protection

The nature of SSE's activities means it has significant interactions with some of the most rich and remote environments in the UK and Ireland. SSE's Environment Strategy provides the framework to manage its environmental impacts. Underpinned by robust environmental management and governance, the strategy has two additional pillars focused on responsible consumption and production and the natural environment, aligned to three UN Sustainable Development Goals (SDGs) focused on the environment. The strategy is underpinned by an ethos of compliance and ensures that SSE is held accountable to its stakeholders for performance.

Due to the varied nature of operations and geographical locations, SSE's Business Units oversee their own tailored approaches to protecting and enhancing the natural environment, to support Group strategy.

SSE's Environment Strategy

Environmental management and governance

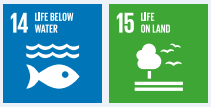
Providing a framework for the careful risk management of environmental impacts

Responsible consumption and production

Working towards more sustainable patterns of resource consumption; reducing reliance on nonrenewable and single use products

Natural environment

Supporting the conservation, restoration and sustainable use of land and water resources



SSE's environmental performance

To ensure effective environmental management, SSE operates an environmental management system which sets controls, processes and procedures. All of SSE's businesses are now certified to ISO14001.

The number of environmental incidents in 2023/24, increased by 31% compared to the previous year, see Table 4. There were no major incidents, and the majority of incidents are minor, with an increased awareness of environmental issues helping to drive focus and action. The key serious incident areas included SF_6 leaks, oil related leaks, fluid filled cable leaks, and silt releases. A deep dive into these incident areas has been endorsed, see the Safety, Sustainability Health and Environment Advisory Committee Report on page 154. The number of environmental permit breaches as a result of SSE's activities totalled 19, compared to nine incidents in 2023/24, all self-reported and dealt with quickly when identified.

SSE's nature-related targets

SSE targets no 'net loss' in biodiversity on onshore large capital projects consented from 2023 and 'net gain' in biodiversity on those consented from 2025 onwards.

In 2023/24, SSE assessed that 33 of its onshore large capital projects consented from 1 April 2023 fell into the scope of this target. It has been assessed that all of these projects meet or exceed the target, with two having no net loss measures and 31 having biodiversity net gain measures included in the project design. More detail on progress against this target is outlined in SSE's Sustainability Report 2024 available at sse.com/sustainability.

In early 2024, SSE set a new commitment for woodland conservation, that all onshore large capital projects consented from 1 April 2024 onwards will achieve no net loss of native woodland.

For all onshore large capital projects, SSE has committed to delivering:

no 'net loss' in biodiversity
on those consented from 2023 onwards

'net gain' in biodiversity
on those consented from 2025 onwards

Table 4: SSE's environmental incident performance

	2023/24	2022/23
Number of major incidents	0	1
Number of serious incidents	40	31
Number of minor incidents	103	77
Environmental prosecutions and civil penalties	0	0
Permit/Licence breach	19	9

SSE's efforts to protect the natural environment stretch back to the earliest days of hydro

Aligning to nature-related disclosure frameworks

Over 2023/24, SSE took initial steps towards aligning nature-related disclosures to the Taskforce on Nature-related Financial Disclosures (TNFD) recommendations. In early 2024, it worked with third-party specialists to identify SSE's most material nature-related impacts and dependencies at a Group-level, and map SSE's key assets and their proximity to relevant ecosystems or specified nature-related locations. This work represents the 'Locate' and 'Evaluate' phases of TNFD's Locate, Evaluate, Assess and Prepare (LEAP) framework, paving the way for a longer-term approach to identifying SSE's most material nature-related risks and opportunities. Further detail on this work can be found in SSE's Sustainability Report 2024 available at sse.com/sustainability.

Responsible resource use

Embedding sustainable patterns of resource consumption, underpinned by circular economy principles is a key strategic environmental objective.

Managing water use

SSE recognises that water resources and climate are inextricably linked. Water plays a significant role in SSE's operations, being used primarily as a source for power generation in hydroelectric generators and as a coolant in thermal power stations.

SSE has policies and processes in place, and works closely with environmental regulators, to ensure that it uses water in a sustainable way in its operations. None of SSE's thermal or hydro generation assets impact on water stressed areas, as defined by the relevant environmental regulators in the jurisdictions in which they operate.

In 2023/24, total water abstracted by SSE slightly decreased to 23,135 million m^3 from 23,354 million m^3 the previous year. The vast majority (97%) of water abstracted in 2023/24 was used in SSE's hydro generation operations, and a similar volume of water passed through the hydro plant compared to the previous year. This water is technically recorded as abstracted, but it passes through turbines to generate electricity and is returned to the environment almost immediately, and therefore has minimal environmental impact.

SSE's total water abstracted excluding hydro operations decreased by 18% between 2022/23 and 2023/24, mainly as a result of a 22% reduction in thermal generation output. While water abstracted reduced, water consumed increased by 71% over the same period. This is due to a higher proportion of generation output from thermal power stations that use cooling towers, which recirculate water. While these power stations are more efficient and abstract less water than plant that uses once-through cooling systems, they consume more water due to evaporative losses as part of the cooling process.

Figure 6: Total water abstracted by SSE (excluding hydro generation) (million m^3)

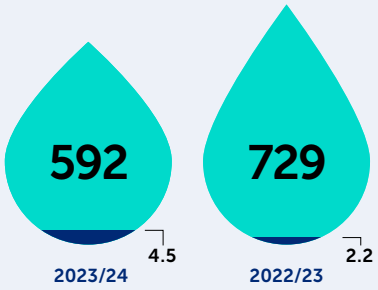


Table 5: SSE's water data

	Unit	2023/24	2022/23
Total water abstracted	Million m^3	23,135[a]	23,354[b]
Total water abstracted (exc. hydro generation)	Million m^3	597	731
Freshwater abstracted (rivers and groundwater) (exc. hydro generation)	Million m^3	4.5	2.2
Total water returned	Million m^3	23,133[a]	23,353[b]
Total water consumed	Million m^3	2.4[a]	1.4[b]

(a) This data is subject to external independent limited assurance by PricewaterhouseCoopers LLP ('PwC'). For the results of that assurance, see PwC's assurance report and SSE's GHG and Environmental Reporting Criteria 2024 on sse.com/sustainability.

(b) This data is subject to external independent limited assurance by PricewaterhouseCoopers LLP ('PwC'). For the results of that assurance, see PwC's assurance report and SSE's GHG and Water Reporting Criteria 2023 on sse.com/sustainability.

Managing air emissions

In 2023/24, emissions of nitrogen oxides (NOx) and sulphur dioxide (SO_2) both reduced compared to the previous year, as outlined in Table 6. This was predominantly due to a reduction in thermal generation output which resulted in a corresponding fall in air emissions. Tarbert oil-fired power station in Ireland ceased generation before April 2023 contributing to a significant reduction in SO_2 emissions of 67% in 2023/24 compared to 2022/23.

In previous years, SSE would disclose data for particulate matter (PM10) and mercury emissions from thermal generation plant, above a de-minimum threshold of 10 tonnes and 1kg respectively. In 2023/24, no plant produced emissions above those thresholds, and therefore were considered immaterial in terms of impact. More information can be found in SSE's Sustainability Report 2024 available at sse.com/sustainability.

SSE's energy consumption

Between 2022/23 and 2023/24, the energy SSE purchased for use in its assets (offices, depots, thermal power stations, gas storage facilities, and data centres) slightly increased by 1%. This increase was due to a reduction in output from thermal generation plant meaning SSE's plant was generating less energy for its own use, and therefore required it to purchase more electricity from the grid. Electricity consumption in SSE's gas storage assets remained relatively stable at 72% of the total electricity used from renewable sources.

Energy consumed in SSE's offices, depots and data centres increased by 15% compared to 2022/23. This was due to building occupancy rates increasing after the COVID-19 pandemic.

In 2023/24, SSE purchased 100% of its electricity for use in its directly managed offices from renewable sources, backed by renewable guarantees. In 2023/24, around 48% of the electricity that SSE purchased for its assets (offices, depots, thermal power stations, gas storage facilities, and data centres) was from renewable sources, down from around 52% the previous year.

SSE is a member of the Climate Group's EP100 initiative to encourage businesses to double energy productivity associated with office and depot buildings by 2030 from a 2011 baseline.

Embedding circular economy principles

Over 2023/24, SSE diverted 97% of waste by tonnage from landfill and recycled 67% of waste by tonnage, exceeding the target it set for 95% and 50% respectively. SSE's 2024/25 performance target is to divert 95% of waste by tonnage from landfill and recycle 55% of waste by tonnage. SSE will continue to review its waste target to ensure that it remains stretching. For SSE's detailed waste data see the Sustainability Report 2024.

SSE is also working to embed circularity principles into its operations to minimise its environmental impact, enhance operational efficiency, strengthen resilience to resource shortages and create value for stakeholders. Over 2023/24, SSE continued to collaborate with stakeholders to create solutions for industry-wide challenges and support circular supply chains. An example of this is SSE Renewables' work with partners through the Coalition for Wind Industry Circularity (CWIC), which seeks to create a supply chain for the refurbishment and reuse of wind turbine components within the UK.

Data and assurance

SSE takes an integrated approach towards assurance utilising internal audit and external assurance providers to ensure accurate, complete disclosures. Where data has been externally and independently assured, this has been noted in the relevant tables. In all other areas, data is identified and disclosed according to SSE's internal processes, guided by environmental regulations where appropriate.

Table 6: SSE's air emissions from thermal generation assets

	Unit	2023/24	2022/23
Sulphur dioxide (SO_2)	Tonnes	440	1,336
Nitrogen oxide (NOx)	Tonnes	3,646	3,870

Table 7: SSE's energy use data*

	Unit	2023/24	2022/23
Purchased heat from non-renewable sources – UK/Ire	GWh	4.8/0.06	3.3/0.06
Purchased electricity from renewable sources – UK/Ire	GWh	96.1/0.9	103.7/1.1
Purchased electricity from non-renewable sources – UK/Ire	GWh	105.3/0	97.9/0

* This table, in combination with the carbon performance information in table 2 on page 106, represents SSE's disclosures in line with the UK Government Streamlined Energy and Carbon Reporting requirements.

Review of the year

Energy market review

Opportunity and risks in a shifting landscape

Societal expectations, policy direction and market sentiment – combined with the overarching issues posed by climate change – present both risks and opportunities to SSE. Ultimately, these factors inform the strategic decisions we make and provide the backdrop to the operational and financial performance described in the review of the year that appears on the following pages.

A year of climate extremes

The climate emergency continued to worsen in 2023, with the warmest year on record creating more extreme weather across the globe. For the first time, global warming exceeded 1.5°C across an entire calendar year and sea temperatures set heat records for more than 365 days in a row due to climate change and the cyclical El Nino weather phenomenon that warms the Pacific Ocean.

For SSE, this reinforces the importance of a strategy to decarbonise, while continuing to ensure it builds and maintains assets that will withstand the changing weather patterns we're all experiencing. Deployment of renewables and low-carbon technologies at scale and speed is needed to combat further worsening of the impacts of climate change.

2023's weather events had an impact on SSE's generation fleet and output (see page 57). Managing electricity network resilience in the face of worsening weather events is crucial (see page 35), while diversifying the Group's renewables assets geographically to account for shifts in weather patterns is a key part of its strategy.

Consensus on climate

Key global stakeholders continue to support measures to combat climate change, with broad consensus on the need for action reflected in the deal reached at COP28. While the agreement in Dubai could have gone further on phasing out carbon, an important step was made to "transition away" from fossil fuels in energy systems. The agreement included targets to triple renewable capacity, and to accelerate the development of low and zero emissions technologies, like carbon capture and storage.

365 days
of record sea temperatures in 2023

While a positive step forward, the agreement is not a binding requirement and is left to individual nations to implement. But some constructive policy progress has been made – for example, the European Commission has now set out ambitious climate targets for 2040.

Geopolitical volatility

There is ongoing geopolitical volatility from Russia's invasion of Ukraine and the crisis in the Middle East. However, last year the market reaction was less extreme due to lower demand, the build-out of home-grown infrastucture improving national energy security and a refocusing on domestic supply chains. This has prevented further significant sector shocks, leading to reduced inflation globally, and economists forecast falling interest rates from 2024.

In February, the US gas price reached a 30-year low, and power prices have hit pre-pandemic levels in some places. While both remain highly susceptible to weather events and further geopolitical uncertainty that could be exacerbated by the outcomes of upcoming elections in leading economies, there is a measure of confidence in a global downward-trend from a very high-cost environment.

Stretched supply chains

The energy sector has felt the impact of supply chain issues in recent years, and this has had an impact on renewables construction – with significant impairments, delays and cancellations announced across the sector.

Cost increases and supply chain constraints have particularly affected the offshore wind sector, where costs have significantly outstripped expectations, leading to some projects no longer being viable under their agreed terms. Across the US and the UK, 15GW of offshore wind projects were cancelled or postponed in 2023.

The global supply chain has also been slow to recover from the after-effects of Covid-19 as it has struggled to meet post-pandemic surges in demand. This has led to supply chain capacity challenges across the sector, alongside increases due to rising commodity costs.

The renewables sector had shifted to a focus on volume and price, rather than value, which has resulted in an erosion of returns and challenges in delivering projects. There has since been a 'resetting' of the market and a more realistic cost-base

The component parts of one of the turbines at Viking wind farm

environment, helping to ensure projects generate returns that reflect the levels of risk involved.

This shift in focus away from sheer volume has suited SSE's approach to capital discipline, and its focus on value and delivery. This will continue to be SSE's strategy, as it ensures it creates value for society through deployment of vital assets, in a way that fairly remunerates shareholders for their risk and investment.

50%
2023 rise in global renewables capacity

The march of renewables

Even with the sector's challenges, an additional 50% of renewable capacity was added globally in 2023, driven by China, but with record growth rates also seen across Europe and the US.

The IEA highlights that there is now at least 510GW of renewables being built across the globe annualy, and this is expected to grow to 7,300GW by 2028. Renewables are also expected to overtake coal as the largest source of electricity generation globally by 2025. However, further developments are needed to hit the tripling of capacity required by 2030 to meet the targets agreed at COP28.

In the UK, the annual growth rate has slowed, and now lags other countries. 2023 was also a particularly challenging year for offshore wind with capacity auctions attracting no offshore bids, and projects cancelled or postponed. While there are indications that the next auctions will attract more participation due to better terms, more needs to be done to ensure the Government hits its 2030 targets.

The year of networks

Energy demand is expected to increase two-fold or more by 2050 as different sectors – including transport, heat and industry – electrify. Meeting that demand is estimated to require around US$21 trillion of investment worldwide.

Against this backdrop, 2023 was widely recognised as 'the year of networks' with numerous publications highlighting the importance of rapid build-out, particularly in GB.

The release of the Independent recommendations by the UK's Electricity Networks Commissioner, Nick Winser, highlighted the importance of accelerating transmission infrastructure to enable more low-carbon generation to be built.

This, and the wider acknowledgement by government and regulators that electricity networks are vital to net zero, has been welcomed by SSE, and led to a significant upweighting of capex plans.

The critical role of transmission and distribution networks in the future energy system is now clearer than ever

> "There continues to be broad international commitment to decarbonise the energy sector as quickly as possible and SSE stands ready to play its part while creating lasting value."

US$21 trillion
Global investment needed in networks

Policy pinch-points

In the UK, the Conservative Government rolled back on some of its key climate change commitments in 2023 – delaying the phase-out of petrol and diesel cars and heat decarbonisation commitments – but continued to pursue a decarbonised power system by 2035. Similarly, the Labour Opposition scaled back its green spending commitments, but held firm on its target of a decarbonised power sector by 2030.

While it is disappointing that targets have been scaled back, the ambitions to decarbonise remain, and SSE will continue to work constructively with current and future governments, advocating viable market design for the deployment of renewables, greater ambition on flexible generation technologies and streamlined planning and consenting frameworks for networks.

Focus on affordability

2023/24 was another challenging year for households, with affordability continuing to be a key concern. Energy costs remained higher than pre-pandemic levels, although other forms of inflation began to drop.

The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by 4.2% in the 12 months to January 2024, down from a recent peak of 9.6% in October 2022. Ofgem announced that the energy price cap would drop by 12% from April 2024. This, alongside the falling inflation rate, should relieve pressure on consumers.

However, for SSE, affordability remains a key priority regardless of the environment and it remains focused on the underlying causes of high costs, rather than the short-term symptoms. Creating more low-carbon generation that can be produced at lower costs will cushion energy users from the impact of market shocks and strengthen the domestic economy and environment.

Energy market outlook

SSE has confidence in an improving policy and investment environment for renewables deployment and low-carbon thermal development. At the same time, there is momentum behind the UK's build out of transmission networks – a transformation in which SSE has a role to play.

While there is likely to be a period of instability globally in 2024's "year of elections", there continues to be broad international commitment to decarbonise the energy sector as quickly as possible and SSE stands ready to play its part while creating lasting value for shareholders and societies in the markets in which it operates.

Chief Financial Officer's review

Powering sustainable growth

A degree of uncertainty and volatility is an enduring feature of our sector, but we have shown in recent years that SSE continues to perform in a wide range of different market conditions.

To report such a strong performance in my first Full-year Results as Chief Financial Officer is gratifying, but perhaps not particularly surprising given the strength of our business and the clarity of our purpose. We finished the year at the higher end of our pre-close guidance thanks once again to the value-generating nature of our diversified business mix offsetting the impact of market and adverse weather conditions.

In 2023/24 that balanced business mix, combined with efficient operational delivery, provided earnings resilience and balance sheet stability in market conditions that were very different to the preceding two years.

Adjusted operating profits in our regulated networks businesses fell – mainly due to an inflationary lag on regulated tariffs which will be recovered in the coming year – while our market-based businesses proved their resilience by remaining broadly flat year-on-year. Combined with other businesses and corporate costs, this net result saw our adjusted operating profit dip slightly. We were pleased, however, to deliver adjusted Earnings Per Share of 158.5p, which was at the upper end of the guidance we provided to the market at pre-close.

Business performance

The performance of our individual businesses is described in detail in the following pages, so I will only summarise here. Increases in allowed revenues under the RIIO-T2 price control and a positive timing impact from tariffs saw SSEN Transmission's headline adjusted operating profit increase. SSEN Distribution's operating profit was lower year-on-year due to the timing of tariff setting mentioned above, meaning allowed revenues did not rise in line with inflation, a position that will reverse in FY25.

For the energy businesses, profitability in SSE Renewables reflected higher hedged prices combined with lower requirement for hedge buybacks, while higher year-on-year output reflected Seagreen offshore wind farm reaching full power. However, lower wind speeds in Scotland, and the affect of a number of named storms, resulted in lower onshore wind volumes year-on-year.

We saw strong financial performance in SSE Thermal with capacity from Triton Power and Keadby 2 power stations offering increased flexibility to the market alongside strong capacity auction results for future years.

Overall performance in 2023/24 was attributable to everyone at SSE – from senior management to the delivery teams edging us closer to net zero with each project milestone. And our financial standing today is attributable in no small part to the platform built by my predecessor, Gregor Alexander, who served as Finance Director for 21 years.

Exercising capital discipline

I came into the job of Chief Financial Officer with a clear objective of building on that platform and maintaining capital discipline as we respond to the exciting mix of opportunities and challenges that is coming through as we transition to net zero. In doing so, we will work to a rigorous investment criteria that places a premium on value that we will not compromise in pursuit of volume.

We have applied that discipline over the past year while investing £2.5bn, around 90% of which was directly focused on achieving our 2030 Goals. Our five-year £20.5bn Net Zero Acceleration Programme Plus capex plan is focused on renewables, flexible generation and electricity networks.

These are the three pillars of the future energy system, and they present a structural growth opportunity that SSE is well-placed to optimise.

The diversity of our portfolio enables us to allocate capital to where the best opportunities lie across the electricity value chain. The combination of must-build transmission projects and a renewables development pipeline that promises additional capacity volumes over the coming months and years creates two powerful sources of value for both shareholders and society.

Balance sheet strength is key to this ability to pivot investment to the high-quality, long-term infrastructure that offers the best long-term returns. Last year, adjusted net debt increased to £9.4bn with 93% held at fixed rates, providing stability and predictability. This represents a Net Debt to EBITDA ratio of only 3 times, well within our strong investment grade ceiling of 4.5 times. We expect to be below this ceiling looking out to 2027, meaning that the NZAP Plus investment plan is comfortably funded within existing means. All of this is reflected in strong investment grade credit ratings.

Financial outlook

For 2024/25 we expect average operating profits will fall in SSEN Transmission, reflecting timing differences in cost recovery, offset by SSEN Distribution which is expected to benefit as tariffs catch up with recent inflation, correcting the slight lag in revenue.

We fully expect our renewables project pipeline will come to fruition, creating value from additional capacity volumes from a full year of operation at Seagreen wind farm as well as the commissioning of Viking onshore wind farm during the year. We also expect to see strong returns from Dogger Bank wind farm, despite the short-term delays described elsewhere in this report.

The ongoing impact of lower power prices is likely to be felt by SSE Thermal and Gas Storage, although it is worth noting that thermal operating profits are expected to remain above historical averages. This outlook once again reflects a resilient business mix that is capable of delivering in a range of different market scenarios.

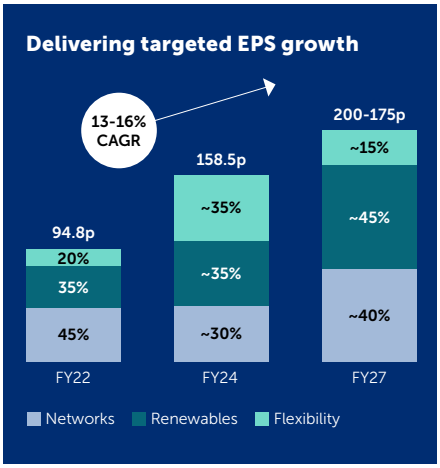
Key financial metrics
(continuing operations)[1]

	Adjusted		Reported	
	Mar 2024 £m	Mar 2023 £m	**Mar 2024 £m**	Mar 2023 £m
Operating profit/(loss)	**2,426.4**	**2,529.2**	**2,608.2**	**(146.3)**
Net Finance (costs)/income	(251.7)	(345.6)	(113.1)	(59.3)
Profit/(loss) before tax	**2,174.7**	**2,183.6**	**2,495.1**	**(205.6)**
Current tax (charge)/credit	(371.0)	(358.8)	(610.7)	110.0
Effective current tax rate (%)	*17.1*	*16.4*	*25.6*	*(12.7)*
Profit/(loss) after tax	**1,803.7**	**1,824.8**	**1,884.4**	**(95.6)**
Less: hybrid equity coupon payments	(73.1)	(38.8)	(73.1)	(38.8)
Less: profits attributable to non-controlling interests	–	–	(100.8)	(23.6)
Profit/(loss) after tax attributable to ordinary shareholders	**1,730.6**	**1,786.0**	**1,710.5**	**(158.0)**
Earnings/(loss) per share (pence)	**158.5**	**166.0**	**156.7**	**(14.7)**
Number of shares for basic/reported and adjusted EPS (million)	1,091.8	1,075.6	1,091.8	1,075.6
Shares in issue at 31 March (million)[2]	1,093.4	1,090.3	1,093.4	1,090.3

1 Excluded discontinued operation relates to the disposal of the Gas Production business which contributed £nil to Reported profit for the year ended 31 March 2024 (2023: £35.0m profit).
2 Excludes Treasury shares of 2.8m in March 2024 and 3.6m in March 2023.

Dividend Per Share (pence)

	March 2024	March 2023
Interim dividend	**20.0**	29.0
Final dividend	**40.0**	67.7
Full Year dividend	**60.0**	**96.7**



Five-year focus

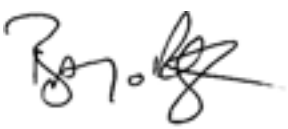
Our primary focus, however, is on achieving the targets we set ourselves for 2026/27 under the five-year NZAP Plus. We have full confidence in our 175-200p EPS guidance for 2027, based on the strength and resilience of our earnings growth, given the significant investment opportunities we are seeing across networks and renewables.

In networks, we have already agreed Ofgem capital programmes which will see SSE's annual capex spend more than triple from where it is today, generating significant "fast money" revenues upfront and RAV growth over the longer-term. When combined with a doubling of renewables output across the plan – and the reduction in tax rate from the extension of capital allowances – we are confident these growth drivers will offset any impact on our market-facing businesses from the prevailing energy commodity price environment and enable us to create value from investment in much-needed energy infrastructure.

Growth-enabling dividends

We are committed to remunerating shareholders with a dividend plan that gives us room to pursue the wealth of opportunities that are arising from the transition to net zero. In line with that commitment, we are recommending a final dividend of 60.0 pence per share and we continue to target dividend growth of between 5-10% per year over the final three years of the NZAP Plus.

The following pages, which contain greater detail on our performance in 2023/24, and more on our outlook for the remainder of the five-year plan, underline the success SSE is having in powering sustainable growth and provide further context for the confidence we have in our 2026/27 earnings forecast.



Barry O'Regan
Chief Financial Officer, SSE plc

21 May 2024

Group financial review

Year ended 31 March 2024
This Group Financial Review sets out the financial performance of the SSE Group for the year ended 31 March 2024. See also the separate sections on Group Financial Outlook, 2024/25 and beyond, and Supplemental Financial Information.

In order to present the financial results and performance of the Group in a consistent and meaningful way, SSE applies a number of adjusted accounting measures throughout this financial report. These adjusted measures are used for internal management reporting purposes and are believed to present the underlying performance of the Group in the most useful manner for shareholders and other stakeholders.

The SSE Renewables and SSE Business Energy comparative results have been restated to reflect the transfer of responsibility for the Solar and Battery business to SSE Renewables and Building Energy Management Systems to SSE Business Energy. These businesses both transferred from SSE Enterprise, where comparative results are also restated.

The definitions SSE uses for adjusted measures are consistently applied and are explained – including a detailed reconciliation to reported measures – in the Alternative Performance Measures section of this document before the Financial Statements.

As announced alongside the NZAP Plus capital investment plan, and following completion of the Group's previous commitments to dividend growth, the 2023/24 dividend was rebased to 60.0 pence per share to support SSE's ongoing ambitions to accelerate investment in the assets required to reach net zero.

Operating profit performance for the Year to 31 March 2024

Business-by-business segmental
(continuing operations)

	Adjusted		Reported	
	Mar 2024 £m	Mar 2023 £m	**Mar 2024 £m**	Mar 2023 £m
Operating profit/(loss)				
SSEN Transmission	419.3	372.7	559.1	405.5
SSEN Distribution	272.1	382.4	272.1	382.4
Electricity networks total	**691.4**	**755.1**	**831.2**	**787.9**
SSE Renewables	**833.1**	**561.8**	**630.3**	**428.1**
SSE Thermal	736.1	1,031.9	644.4	1,089.5
Gas Storage	82.8	212.5	(42.2)	249.2
Thermal Total	**818.9**	**1,244.4**	**602.2**	**1,338.7**
SSE Business Energy	95.8	15.7	95.8	15.7
SSE Airtricity (NI and Ire)	95.0	5.6	94.5	5.2
Energy Customer Solutions Total	**190.8**	**21.3**	**190.3**	**20.9**
SSE Energy Markets (formerly EPM)	**38.9**	**80.4**	**590.0**	**(2,626.0)**
SSE Enterprise (formerly Distributed Energy)	**(25.6)**	**(7.0)**	**(25.6)**	**(13.1)**
Neos Networks	**(32.3)**	**(39.8)**	**(116.1)**	**(56.0)**
Corporate unallocated	**(88.8)**	**(87.0)**	**(94.1)**	**(26.8)**
Total operating profit/(loss)	**2,426.4**	**2,529.2**	**2,608.2**	**(146.3)**
Net finance (costs)/income	(251.7)	(345.6)	(113.1)	(59.3)
Profit/(loss) before tax	**2,174.7**	**2,183.6**	**2,495.1**	**(205.6)**

Notes: 2022/23 segmental numbers above restated to reflect movement of Solar and Battery business to SSE Renewables and Building Energy Management Systems to SSE Business Energy, both previously reported under SSE Enterprise. Excluded discontinued operation relates to the disposal of the Gas Production business which contributed £nil to Reported profit for the year ended 31 March 2024 (2023: £35.0m profit).

Segmental EBITDA results are included in **Note 5** to the Financial Statements.

Operating profit

Adjusted and reported operating profits/losses in SSE's business segments for the year to 31 March 2024 are set out below; comparisons are with the same period to 31 March 2023 unless otherwise stated.

SSEN Transmission: Adjusted operating profit increased by 13% to £419.3m from £372.7m in the prior year. 25% of this business was divested on 30 November 2022 and the prior year comparative therefore includes 100% of the operating profit for the business for the first eight months of the year and 75% thereafter, whilst the current year includes 75% of the operating profit for the full year. If the prior year comparative was normalised for this basis difference of £(68.6)m, adjusted operating profit would have increased by 38%.

SSEN Transmission saw a significant increase in allowed revenues during the year, reflecting both the increased portfolio of works under the RIIO-T2 price control as well as inflation uplifts in line with the regulatory framework, together with a positive timing variance following under-recovery of revenues in the previous year. These were partially offset by increases in operating costs as the business continues to grow its operational capabilities and depreciation as the asset base expands.

Reported operating profit increased by 38% to £559.1m compared to £405.5m, reflecting all of the movements above except for the non-controlling interest basis difference, as non-controlling interests are fully consolidated for all profit metrics under IFRS.

SSEN Distribution: Adjusted and reported operating profit decreased by 29% to £272.1m compared to £382.4m in the prior year.

The price control allowed revenue for 2023/24 is based on tariffs which were set in December 2021 and therefore over this period do not reflect the inflationary increases to the operating cost base since that date, which will be recovered in the 2024/25 financial year. As a result, the decrease in operating profit during the year principally reflects the increase in the operating cost base due to inflation alongside higher network costs due to maintenance volumes. The operating result also includes around £18m of additional

fault and repair costs as the business reacted to a year with ten named storms as well as additional depreciation charges as the asset base expands under RIIO-ED2.

SSE Renewables: Adjusted operating profit increased by 48% to £833.1m from £561.8m in the prior year. The increase in profitability was largely driven by the growth in revenues during the year due to a combination of the higher power price environment combined with additional operating capacity which more than offset the lower wind speed environment in Scotland. Renewables forward hedged prices at the start of the year were between 35 – 40% higher than the previous year, reflecting forward hedging activity in a higher price environment. The increase in operational capacity as Seagreen offshore wind farm reached full commercial operations during October 2023, combined with the prior year reflecting a £(143)m one-off buy-back costs relating to Seagreen volumes hedged but not delivered, further improved the year-on-year result. However, this was partially offset by 4% lower wind speeds in Scotland which, when combined with the impact of ten named storms, meant onshore wind volumes were c.6% down year-on-year. Finally, at the operating cost level, the cessation of Balancing Services Use of System (BSUoS) charges as part of the network charging reform was offset by an increase in staff costs driven by inflation and increased headcount due to organic growth of the business.

Reported operating profit increased by 47% from £428.1m to £630.3m. In addition to the factors above, this is reflective of an increase in the share of Joint venture interest and tax of £(42.7)m and a £(37.4)m remeasurement on SSE's affiliate CfD arrangements which are classified as derivative contracts.

SSE Thermal: Adjusted operating profit decreased by 29% to £736.1m, compared to £1,031.9m in the prior year. This decrease is largely driven by the lower spark spread and lower volatility market environment, as energy commodity prices normalise down during the second half of the year from the peaks reached in 2022/23. This decrease was partially offset by a full year of financial contribution from 893MW Keadby 2 which entered full operations in March 2023 and therefore contributed to overall gross margin improvements.

Reported operating profit decreased by 41% to £644.4m, compared to £1,089.5m in the prior year which included a net gain of £128.0m from a number of exceptional items and remeasurements. Lower forward power prices has meant the current year result includes a £(15.4)m net remeasurement on Triton Power operating derivatives reflecting lower levels of in-the-money hedges compared to prior year. The power price environment also meant a £(63.2)m impairment was recognised on the Triton Power investment, as the previous years have seen strong realised cashflows from the asset. The reported result also reflects SSE's share of Joint Venture Interest and Tax expenditure decreasing from £(60.4)m in the prior year to £(13.1)m in the current year.

Gas Storage: 61% to £82.8m, compared to £212.5m of profit in the prior year. The prior year result reflected a more volatile gas market as well as an inversion of the typical spread between higher-priced winter gas and lower-priced summer gas due to low Russian gas supplies and high demand as gas stores were built up. Whilst the year saw increased volumetric trading, this was offset by less overall volatility in the gas market and lower gas prices which therefore decreased trading profits.

Reported operating loss decreased 117% to £(42.2)m from a profit in the prior year of £249.2m. In addition to the movements above, the prior year included an impairment reversal of £45.7m compared to an impairment charge in the current year of £(134.1)m, reversing prior write-backs and reflecting a lower point-in-time estimate of future gas prices and lower volatility assumptions. In addition, the reported results include a £9.1m revaluation gain on gas held in storage, compared to a £(9.0)m loss in the prior year.

SSE Business Energy: Adjusted and reported profitability increased to £95.8m in the year compared to £15.7m in the prior year. The business has seen a challenging three years of profits below expectations due firstly to the global pandemic and then followed by a period of extreme commodity price volatility which affected consumer demand. The current year has seen the business return to a higher level of profitability, reflecting the well-established competitive pricing and hedging controls. However, it still remains a challenging environment for consumers and customer-facing businesses with bad debt expenses increasing by £5m on the prior year. During the year, the business established a £15m customer support fund for small businesses, voluntary and charitable organisations. The business has also seen an increase in its operating cost base during the year reflecting the implementation of a new customer management system called Evolve.

SSE Airtricity: Adjusted profitability increased to £95.0m from £5.6m in the prior year. This was aided by an increase in income from wind farms contracted to SSE Airtricity which rose from £28m in the prior year to £74m in the current year. The prior year saw Airtricity respond to the challenging circumstances faced by its domestic energy customers during the year by committing to not make a profit through tariff delays, price freezes for vulnerable customers and a €25m customer fund. Residual profits from the previous financial year of £5.6m were also redistributed in April 2023 via customer credits Supporting customers continued to be the main focus during the current year, with two tariff reductions implemented and continuation of financial supports for vulnerable customers. Increased consumer demand combined with reduced commodity price volatility has meant supply margins have returned towards more normalised levels this year.

Reported operating profit increased to £94.5m compared to £5.2m in the prior year reflecting a £(0.1)m change in the share of interest and tax from Joint Ventures, in addition to the movements above.

SSE Energy Markets (formerly Energy Portfolio Management): Adjusted operating profit has decreased to £38.9m from a £80.4m profit in the prior year. Energy Markets continues to generate a relatively low level of baseline operating earnings through service provision to those SSE businesses requiring access to the Energy Markets. In addition, the business is permitted to take optimisation opportunities whilst managing liquidity and shape on external trades, but these optimisation opportunities are subject to strict internal VAR limits and controls. The business also looks to add value through contracting for third party PPA and route to market contracts and significant value is also generated from the optimisation of green certificates such as ROCs and REGOs. The decrease in year-on-year profitability is mainly due to a lower level of volatility and price of power and gas trades in the market, which has driven lower profits from trading, optimisation activities and wind PPA contracts.

Reported operating profit increased to £590.0m from £(2,626.0)m in the prior year. In addition to the movements above, the reported operating result includes the net remeasurement gain on forward commodity derivatives in the year relative to loss on the same remeasurement in the prior year. In line with previous years, these IFRS 9 remeasurements exclude any remeasurement of 'own use' contracts and are unrelated to underlying operating performance.

SSE Enterprise (formerly Distributed Energy): An adjusted operating loss of £(25.6)m was recognised, compared to a loss of £(7)m in the prior year. The business continues to incur planned losses as it invests to support business growth in localised and flexible, smart energy infrastructure.

Reported operating losses increased to £(25.6)m from £(13.1)m, with the prior year reflecting an exceptional charge of £(6.1)m which mainly related to provisions in connection with the sale of the Contracting and Rail business in June 2021.

Neos Networks: SSE's remaining 50% share in the Telecoms business Neos Networks Limited recorded an adjusted operating loss of £(32.3)m compared to £(39.8)m in the prior year, reflecting planned losses incurred to support future business growth, and a reported operating loss of £(116.1)m compared to a loss of £(56.0)m in the prior year.

The reported result in the current year includes an exceptional impairment of £(73.6m), reflecting the wide range of reasonably probable valuations for this business.

Corporate Unallocated: Adjusted operating loss of £(88.8)m compares against a loss of £(87.0)m in the prior year. The result reflects lower revenue recovered from disposed businesses following the cessation of transitional service contracts established as part of the strategic disposal programme completed in 2022, which have been offset by gains on disposal of £9m, and the unwind of liabilities associated with financial and performance guarantees.

Reported operating losses rose from £(26.8)m in the prior year to £(94.1)m, with the prior year benefiting from a £50.5m positive revaluation adjustment on legacy Gas Production decommissioning provisions relative to a £(9.9)m downward adjustment to the same provision in the current year. This is partially offset by an exceptional credit of £4.6m relating to the reacquisition of Enerveo Limited – the Contracting and Rail business that was previously sold by SSE in June 2021. SSE is currently conducting a review to develop and then implement a longer-term strategy for each part of the Enerveo business. Further details of the transaction are contained in the Financial Statements.

Adoption of IFRS 17 "Insurance Contracts"

On 1 April 2023, the Group adopted IFRS 17 'Insurance Contracts' on a modified retrospective basis from the earliest period presented.

The Group provides guarantees in respect of certain activities of former subsidiaries and to certain current joint venture investments. Prior to adoption of IFRS 17, these contracts were designated as insurance contracts under IFRS 4 'Insurance Contracts' ('IFRS 4'). Under IFRS 4, existing accounting practices were grandfathered and the contracts were treated as contingent liabilities until such time as it became probable the Group would be required to make payment to settle the obligation. The adoption of IFRS 17 from 1 April 2022 resulted in a reassessment of these contracts and the Group elected to apply the valuation principles of IFRS 9 to these contracts. Adoption resulted in the recognition of financial guarantee liabilities of £54.9m; a £22.7m increase in equity investments in joint ventures and associates; and a £32.2m adjustment to retained earnings. On 1 September 2022, the Group acquired a 50% joint venture investment in Triton Power Holdings Limited ('Triton') and provided parent company guarantees to Saltend Cogeneration Company Limited, a subsidiary of Triton. In the comparative year to 31 March 2023, the Group has therefore recognised a further £16.0m increase to the Group's financial guarantee liabilities to reflect this guarantee and a £16.0m increase to the Group's equity investment in Triton.

During the current year to 31 March 2024, the Group recognised a net decrease in financial guarantee liabilities of £31.4m, a reduction in the value of its joint venture investments of £6.9m and a settlement of £12.0m resulting in a net income statement credit of £12.5m, of which £5.1m has been treated as exceptional. The reduction in the year is primarily due to the expiration of guarantees provided to joint ventures.

Adjusted Earnings Per Share

To monitor its financial performance over the medium term, SSE reports on its adjusted earnings per share measure. This measure is calculated by excluding the charge for deferred tax, interest on net pension liabilities, exceptional items, depreciation on fair value adjustments, revaluation adjustments to the retained 60% Gas Production decommissioning obligation, results attributable to non-controlling interest holders and the impact of certain remeasurements.

SSE's adjusted EPS measure provides an important and meaningful measure of underlying financial performance. In adjusting for these items, adjusted EPS reflects SSE's internal performance management, avoids the volatility associated with mark-to-market IFRS 9 remeasurements and means that items deemed to be exceptional due to their nature and scale do not distort the presentation of SSE's underlying results. For more detail on these please refer to the Adjusted Performance Measures section of this statement.

In the twelve months ended 31 March 2024, SSE's adjusted earnings per share was 158.5p. This compares to 166.0p for the previous year and reflects the movements in adjusted operating profit outlined in the section above in addition to lower year-on-year net finance costs which were largely offset by higher taxation charges and coupon payments on hybrid bonds as set out in the Supplemental Financial Information section below.

Financial outlook – 2024/25 and beyond

Financial outlook for 2024/25

SSE continues to focus on delivering long-term sustainable financial performance through implementation of its five-year NZAP Plus capex plan. And whilst energy prices have normalised from the highs seen over the last 24 months, SSE remains confident that its balanced business mix will continue to deliver strong and sustainable operating profit over the coming years.

In line with historical practice, and consistent with the approach taken before the period of extreme market volatility seen over the last couple of years, SSE is not providing full earnings guidance for 2024/25 at this stage of the financial year reflecting the inherent seasonality within its business. However, the Group has set out the following expectations for the forthcoming year:

- **SSEN Transmission** – It is expected that operating profit will be lower than the prior year as the taxation benefit from "full expensing" for qualifying capital expenditure is passed through to consumers through reduced tariffs. This is accompanied by an increase in the operational cost base as the business prepares to deliver over £20bn of capital investment in LOTI and ASTI projects over the rest of the decade.
- **SSEN Distribution** – It is anticipated that operating profit will be significantly higher than the prior year outturn, with the expected inflationary catch-up in tariffs expected to more than double operating profit.
- **SSE Renewables** – The c.30% increase in hedged prices during the year combined with additional volumes from key capital projects such as Seagreen (full year impact), Viking (operations expected in summer 2024) and Dogger Bank A (phased towards the end of the year) means that operating profits are expected to increase significantly year-on-year.
- **SSE Thermal and Gas Storage** – It is now expected that operating profit will be significantly lower than the prior year outturn, reflecting the continued normalisation of energy commodity prices seen in current forward price curves. However operating profit is expected to be higher than historical averages, and even with a low-case volatility scenario which limits the amount of extrinsic value the operating plant can capture, more than £200m.
- **Energy Customer Solutions** – It is expected that the stabilisation in customer margins seen through 2023/24 will continue into the 2024/25 financial year.

These expectations are subject to normal weather conditions, current market conditions and plant availability.

Following the rebase of the dividend to 60p for 2023/24, the 2024/25 financial year is expected to see the dividend increase by between 5 – 10%, in line with a commitment to aligning future dividends with SSE's ambitious growth profile.

Capital expenditure and investment in 2024/25 is expected to significantly increase to over £3bn, reflecting a ramping up of project delivery during the year, with the net debt to EBITDA ratio expected to be towards the lower end of the 3.5 – 4.0x targeted range.

Net Zero Acceleration Programme Plus

Since releasing SSE's original Net Zero Acceleration Programme – or NZAP – in November 2021, energy market and wider economic disruption has amplified the shareholder and societal benefit that comes from a balanced energy business with a strategic focus aligned with the transition to net zero.

In an operating environment impacted by geopolitical conflict, abnormal meteorological patterns and economic volatility, SSE's purpose to provide energy needed today while building a better world of energy for tomorrow continues to enjoy broad political and societal consensus.

The progress made in delivery of a strategy that creates value for shareholders and society in a sustainable way by developing, building, operating and investing in the electricity infrastructure and businesses needed in the transition to net zero, coupled with growing momentum behind the global green transition, saw SSE upgrade the targets, ambitions and investment mix twice in the 24 months since the original NZAP was released.

NZAP Plus – an upweighted £20.5bn Five Year Investment Programme

SSE's strategy is built on the knowledge that the three pillars of networks, renewables and flexibility will be the foundations of the future energy system. The optionality and balance of the Group's business mix means that investment will pivot across the value chain, reacting to visibility of growth opportunities as well as relative attractiveness of returns. As ever, this optionality will be exercised in line with SSE's commitment to rigorous capital discipline.

The update to the NZAP presented in May 2023 reflected the strong progress made in delivering the original investment plan, whilst recognising the impact from a changing macroeconomic environment. And, in November 2023, the Group announced a further revision to increase its investment programme as a result of the increased visibility over the scale of investment opportunities available to SSEN Transmission.

This increase, which will now see the Group invest around £20.5bn over the five years to 2026/27, has the effect of upweighting the proportion of regulated electricity networks spend as outlined below:

Investment Plan (5 years)	NZAP (Nov 2021)	NZAP+ (May 2023)	NZAP+ Nov 23 update
Total adjusted investment	~£12.5bn	~£18.0bn	~£20.5bn
– Electricity networks	~40%	~50%	~55%
– Market based	~60%	~50%	~45%

Following this increase, SSE anticipates the investment will be focused on:

- **SSEN Transmission (~37% or ~£7.5bn)** to continue to comprise the majority of expected investment in regulated electricity networks. With the RIIO-T2 baseline investment programme continuing at pace, there is ever increasing visibility over incremental investment across three Large Onshore Transmission Investment ('LOTI') projects that have received approval of need from Ofgem, in addition to the early construction costs required for the eight Accelerated Strategic Transmission Investment ('ASTI') framework projects. These eleven projects – which are currently estimated to require a gross nominal investment of c.£20bn to deliver by 2030 – continue to progress and are expected to drive gross RAV for this business to at least £10bn by the end of 2026/27.
- **SSEN Distribution (~17% or ~£3.5bn)** remains on track to deliver its £3.6bn RIIO-ED2 investment programme. This baseline investment – alongside growth opportunities from Uncertainty Mechanisms which are already being secured – is expected to increase gross RAV to between £6 – 7bn by the end of 2026/27.
- **SSE Renewables (~34% or ~£7bn)** is continuing to deliver on its ambitious construction programme, with critical milestones achieved in the year such as full power from Seagreen offshore wind farm and first power from Dogger Bank offshore wind farm. Whilst the target to reach around 9GW of installed capacity by 2026/27 remains, the business continues to focus on financial discipline and selective renewables growth only where it is value accretive. With that focus, the allocation of capital continues to move across a diverse mix of renewable technologies such as battery storage projects where almost 700MW of capacity is currently in operation or under construction.
- **SSE Thermal and other businesses (~12% or ~£2.5bn)** comprise the remaining expected investment, with SSE Thermal's pipeline of lower-carbon generation projects – such as sustainable biofuels, carbon capture and ultimately hydrogen – continuing to make progress over the last 12 months.

With around 90% of the upweighted investment plan expected to be invested in electricity networks and renewables, the substantial majority is focused on climate solutions to achieve SSE's 2030 Goals which are linked to its most highly-material UN Sustainable Development Goals (SDGs) and aligned to the Technical Screening Criteria of the EU Taxonomy.

Fully-funded investment plan, with continued strong balance sheet

SSE has demonstrated its ability to realise value from disposals, create sustainable earnings growth and raise capital at highly attractive terms. In the current period, £1.1bn of long-term debt was issued at attractive, fixed coupons.

The Group's business mix, capital investment and funding plans are designed to ensure that it retains an investment grade credit rating which provides capacity to reach a 4.5x net debt/EBITDA ratio.

And the financial strength of the Group and continued earnings growth means that it expects to still be within or below the target range of 3.5 – 4.0x net debt/EBITDA over the course of the plan to 2026/27.

Maintaining disciplined investment and returns

SSE maintains its focus on allocating capital based on clear internal investment criteria intended to maximise investment returns whilst ensuring delivery of its strategy.

Against the backdrop of a changing macroeconomic environment, SSE remains fully committed to its disciplined approach of focusing investment on high-quality assets where its capabilities can deliver favourable risk-adjusted project returns, namely continuing to target:

- **Solar:** returns between 50-300 bps over WACC for unlevered projects, depending on the balance of merchant, technology and construction risk for each project;
- **Onshore wind:** returns between 100-300 bps over WACC for unlevered projects, also depending on the balance of merchant, technology and construction risk for each project;
- **Offshore wind:** more than 11% equity returns (excluding developer profits but including seabed lease fees) for project financed developments;

- **Networks:** between 7 – 9% return on equity assuming a level of outperformance, CPIH inflation of 2% p.a. and an average gearing ratio of 60%; and
- **Emerging technologies (principally Batteries, CCS and Hydrogen):** between 300-500 bps over WACC for unlevered projects, reflecting the expected increased operating and technology risk from newer, first-of-a-kind technologies.

These investment criteria – and targeted returns – continue to be applied in both domestic and overseas markets.

Updating segmental earnings guidance to 2026/27

The enhanced NZAP Plus capex plan was first announced in a period of extreme market volatility which saw individual businesses such as SSE Thermal and Gas Storage successfully navigate rapidly changing market condition. Whilst the market has begun to normalise, the strength and resilience of our balanced mix of businesses means we continue to have confidence in the long term earnings growth for the Group.

Taking into account the current forward price curves as well as progress made on key capital projects, we therefore set out the following updated expectations for segmental earnings to 2026/27:

- **SSEN Transmission** – The upweighting of investment towards Networks is also expected to upweight the adjusted operating profits (net of 25% Non-Controlling Interest) to more than £500m per annum on average across the five-year plan. The profile of earnings growth is expected to largely follow the profile of increased capital expenditure as the business receives an upfront revenue benefit through the regulatory mechanism.
- **SSEN Distribution** – In line with previous expectations, and reflecting the predictability of the regulatory businesses, we continue to expect to deliver expected adjusted operating profits of around £450m per annum on average across the five-year plan.
- **SSE Renewables** – Reflecting a lower baseload power price assumption for 2026/27 of c.£65/MWh, this business is now forecast to deliver a ~19% adjusted profit CAGR across the five-year plan, subject to weather and plant availability.
- **SSE Thermal and Gas Storage** – Following the continued normalisation of energy commodity prices seen in current forward price curves, it is now expected that the existing efficient, flexible thermal fleet will deliver adjusted operating profits of around £400m on average for the four financial years to 2026/27. The profile of earnings are expected to significantly rise towards the end of the plan, reflecting the upweighted revenue from contracted and index linked Capacity Market payments which are expected to increase by ~2.5x from 2024/25 to 2026/27.
- **Energy Customer Solutions** – Following an extended period of challenging conditions with a global pandemic followed by the extreme commodity price volatility, the stabilisation in margins seen during 2023/24 for the SSE Business Energy and SSE Airtricity businesses are expected to continue throughout the medium term.

Reaffirming expected earnings growth and dividend plan

Taking account of the Group's latest view of renewables and networks project delivery out to 2026/27, in addition to the normalisation of market prices seen over the course of the last few months, SSE continues to have confidence in reaching its 175 – 200p adjusted earnings per share guidance range for 2026/27. The increased visibility over investment through regulatory approvals for network upgrades, the progress made on the 2.8GW of renewable projects under construction and the extension of "full expensing" capital allowances[1] more than offset the current normalisation of market prices.

This view assumes a ~£65/MWh nominal baseload power price for renewable output in 2026/27; no assumed developer profits on project sell-downs; normal weather and plant availability; a ~4.5% average cost of debt across the plan which in turn assumes a 5.5% coupon on new debt issuance; and a ~12% average effective tax rate across the five-year plan.

Reflecting the SSE plc Boards' confidence in delivering this future earnings growth, the commitment to target dividend increases of between 5 to 10% per year across 2024/25, 2025/26 and 2026/27 – following the rebase to 60 pence per share in 2023/24 – remains unaffected. This plan retains the scrip dividend option for shareholders, with the cap on take-up still set at 25% and implemented (if necessary) by means of a share buy-back.

Supplemental financial information

Adjusted Investment and Capex Summary	Mar 2024 Share %	**Mar 2024 £m**	Mar 2023 £m
SSEN Transmission (excluding 25% MI from 1 Dec 2022)	24%	595.6	495.5
SSEN Distribution	21%	505.1	421.0
Regulated networks total	**45%**	**1,100.7**	**916.5**
SSE Renewables	**45%**	**1,097.1**	**911.5**
SSE Thermal	4%	99.6	153.2
Gas Storage	–	0.8	6.3
Thermal Energy Total	**4%**	**100.4**	**159.5**
Energy Customer Solutions	2%	58.5	49.8
SSE Energy Markets (formerly Energy Portfolio Management)	–	8.6	4.7
SSE Enterprise (formerly Distributed Energy)	2%	51.0	50.3
Corporate unallocated	2%	60.4	68.3
Adjusted investment and capital expenditure	**100%**	**2,476.7**	**2,160.6**
Acquisitions		–	642.7
Adjusted investment, capital and acquisitions expenditure		**2,476.7**	**2,803.3**

Note: 2022/23 segmental numbers above restated to reflect movement of Solar and Battery business to SSE Renewables and Building Energy Management Systems to SSE Business Energy, both previously reported under SSE Enterprise

SSE'S capital expenditure programme

During the 12 months to 31 March 2024, SSE's adjusted investment, capital and acquisitions expenditure totalled £2,476.7m, compared to £2,803.3m in the same period last year. The reduction is driven largely by prior period acquisition expenditure relating to the purchase of the Southern European onshore wind development platform, and

1 On 22 November 2023, as part of the 2023 Autumn Statement, the UK Government announced they would make permanent their first year "full expensing" capital allowances regime. This regime, which was previously set to expire on 1 April 2026, means that companies are able to claim a 100% allowance for short-life assets (less than 25 years) and a 50% allowance for long-life assets (more than 25 years). Within SSE's Electricity Transmission and Distribution businesses, the regulatory agreements mean that any reduction in tax payable from full expensing will be passed through to consumers through lower regulated revenues with no net earnings impact for SSE. However, SSE's unregulated businesses will benefit from this permanent change in tax relief, as capital allowances on new investment will be received quicker than under the previous regime.

the acquisition of Triton Power Holdings, in separate transactions which both completed on 1 September 2022.

Investment in the reporting period was driven mainly by SSE's renewables and electricity networks divisions, with limited deployment of capital in thermal and other businesses, and no acquisitions expenditure.

In **SSEN Transmission**, £595.6m net capex was delivered, including £102m on the final stages of the Shetland connection with offshore works now complete and the project in the final commissioning phase. The East Coast Upgrade to 400kv also progressed well with a further £117m invested during the period, which sees the first of three phases complete and successfully energised. A further £41m was also invested as part of the Eastern Green Link 2 and 3 preliminary works.

The first year of **SSEN Distribution**'s RIIO-ED2 saw capex increase by 20% to £505.1m, with a continued focus on network resilience and future proofing for the expected consumer-led uptake in low-carbon technology. £210m of this was delivered in the North in a wide variety of projects with £53m of this invested in subsea cables, including the Pentland Firth East cable which energised during the period. In the South, £295m of capex was delivered during the period across a broad range of projects, with significant investment in Bramley Thatcham and Iver Reinforcement.

SSE Renewables invested a total of £1,097.1m during the period, including £219m on Viking onshore wind farm on Shetland, where all turbines have now been installed and commercial operations are expected in Summer 2024. In Ireland, £90m of capex was delivered on the construction of the 101MW Yellow River wind farm, which is targeting commissioning in early 2025. In the North Sea, Seagreen offshore wind farm reached commercial operations in October 2023 and £86m equity was drawn down to fund the final stages of construction. £158m of combined equity and shareholder loans were drawn to fund construction works which are underway at Dogger Bank A, which has previously been funded by non-recourse project financing in the Joint Venture.

In **SSE Thermal**, investment totalled £100.4m in the period, £30m of which was incurred on Slough Multifuel station, a joint venture with CIP, which achieved first fire in March 2024.

SSE's hedging position at 31 March 2024

SSE has an established approach to hedging through which it generally seeks to reduce its broad exposure to commodity price variation at least 12 months in advance of delivery. SSE continues to monitor market developments and conditions and alters its hedging approach in response to changes in its exposure profile.

	2023/24	2024/25	2025/26	2026/27
Wind				
Total energy output volumes hedged – TWh	**5.5**	**6.4**	**5.2**	**1.5**
– Hedge in electricity & equivalents – TWh	5.5	4.1	2.0	0.7
– Electricity hedge price – £MWh	£75	£91	£93	£80
– Hedge in Gas – TWh	–	2.3	3.2	0.8
– Gas hedge price – £MWh	–	£122	£77	£56
Hydro				
Total energy output volumes hedged – TWh	**3.0**	**2.9**	**1.9**	**0.6**
– Hedge in electricity & equivalents – TWh	3.0	1.8	0.6	0.2
– Electricity hedge price – £MWh	£86	£96	£90	£74
– Hedge in Gas – TWh	–	1.1	1.3	0.4
– Gas hedge price – £MWh	–	£120	£82	£56

Note: where gas and carbon trades have been used as a proxy for electricity, a constant 1 MWh:69.444 th and 1MWh:0.3815 te/MWh conversion ratio between commodities has been applied. These same ratios have been used to convert underlying commodity prices into electricity £MWh and therefore no assumptions have been made on either spark or carbon.

A summary of the hedging position for each of SSE's market-based businesses is set out below.

SSE Renewables – GB wind and hydro: Energy output hedges are progressively established through the forward sale of either:

- Electricity – where market depth and liquidity allows;
- Gas and carbon equivalents – recognising that spark spread exposures remain; or
- Gas equivalents only – recognising that carbon and spark spread exposures remain.

This approach was developed in response to lower levels of available forward market depth and liquidity for certain energy products. Whilst some basis risk or commodity exposure will remain under this approach, it does facilitate the reduction of SSE Renewables' overall exposure to potentially volatile spot market outcomes.

For transparency, the table above notes both the proportion of hedges and prices of those hedges for electricity and equivalents (i.e. where gas and carbon equivalents have been hedged) and for gas alone (i.e. where the carbon leg has been unable to be hedged).

The table excludes additional volumes and income for Balancing Mechanism activity, ROCs, ancillary services, capacity mechanism and shape variations and optimisations. It also excludes volumes and income relating to Irish wind output, pumped storage and CfDs.

The hedged volumes include SSE's equity share of forecast pre-CFD volumes from Seagreen offshore wind farm and Viking onshore wind farm. No volumes have been included for Dogger Bank offshore wind farm as hedging for this asset has not yet commenced.

For renewable energy output, SSE's established approach seeks to minimise the volumetric downside risk by targeting a hedge of less than 100% of its anticipated wind energy output for the coming 12 months. The targeted hedge percentage is reviewed and adjusted as necessary to reflect any changes in market and wind capture insights. The last such revision occurred in September 2023, setting a baseline target hedge of around 80% of the anticipated energy output from wind and hydro for the coming twelve months from that date.

Energy output hedges for both wind and hydro are progressively established over the 36 months prior to delivery (although the extent of hedging activity for future periods also depends on the level of available market depth and liquidity).

Target hedge levels are achieved through the forward sale of either electricity or a combination of gas or carbon equivalents as outlined above. When gas-and-carbon hedges are converted into electricity hedges a "spark spread" is realised which can lead to changes in the average hedge price expected. This can increase the previously published average hedge price or decrease it. Likewise, when gas hedges are subsequently converted into electricity hedges ahead of delivery, a carbon-and-spark spread value is realised which will also lead to changes in the average hedge price expected.

GB Thermal: In the 6 months prior to delivery, SSE aims to hedge all of the expected economic output of its CCGT assets, having progressively established this hedge over the 18 months prior to delivery.

This hedging approach is adjusted to take into account any changes in exposures as a result of current market conditions, such as the plant availability exposure, counterparty credit risk, and changes to cost of capital for collateral.

Hedging activity also depends on the availability of sufficient market depth and liquidity, which can be limited, particularly for periods further into the future.

Gas Storage: The assets are being commercially operated to optimise value arising from changes in the spread between summer and winter prices, market volatility and plant availability.

At 31 March 2024, 40 mTh of gas inventory was physically held which represents c.21% of SSE's share of gross capacity (at 31 March 2023, 126mTh of gas inventory representing c.65% of SSE's share of gross capacity).

SSE Business Energy: The business supplies electricity and gas to business and public sector customers. Sales to contract customers are hedged: at point of sale for fixed contract customers; upon instruction for flexi contract customers; and on a rolling hedge basis for tariff customers.

Given the pricing and macro-economic context, SSE Business Energy is dynamically monitoring nearer term consumption actuals for early signs of demand variability and adjusting future volumes hedged accordingly.

SSE Energy Markets: This business provides the route to market and manages the execution for all of SSE's commodity trading outlined above (spark spread, power, gas, oil and carbon). This includes monitoring market conditions and liquidity and reporting net Group exposures. The business operates under strict position limits and VAR controls.

There is some scope for position-taking to permit this business to manage around shape and liquidity whilst taking optimisation opportunities. This has been contained within a total daily VAR limit of £5m, which will be increased to £9m from 1 April 2024 to reflect growing optimisation opportunities as the SSE portfolio expands.

Ireland: Vertical integration of the generation and customer businesses in Ireland limits the Group's commodity exposure in that market.

Summarising movements on exceptional items and certain remeasurements

Exceptional items

In the year ended 31 March 2024, SSE recognised a net exceptional charge within continuing operations of £(266.0)m before tax. The following table provides a summary of the key components making up the net charge:

Exceptional credits/(charges) within continuing operations	Total £m
Triton Power impairment	(63.2)
Gas Storage impairment	(134.1)
Neos Networks impairment	(73.6)
Enerveo reacquisition (previously SSE Contracting)	4.6
Other	0.3
Total exceptional charge	(266.0)

Note: The definition of exceptional items can be found in **Note 3.2** of the Financial Statements.

For a full description of exceptional items, see **Note 7** of the Financial Statements.

Certain remeasurements

In the year ended 31 March 2024, SSE recognised a favourable net remeasurement within continuing operations of £513.5m before tax. The following table provides a summary of the key components making up the favourable movement:

Certain remeasurements within continuing operations	Total £m
Operating derivatives (including share from jointly controlled entities net of tax)	498.3
Commodity stocks held at fair value	9.1
Financing derivatives	6.1
Total net favourable remeasurement	513.5

Operating derivatives

SSE enters into forward purchase contracts (for power, gas and other commodities) to meet the future demands of its energy supply businesses and to optimise the value of its generation assets. Some of these contracts are determined to be derivative financial instruments under IFRS 9 and as such are required to be recorded at their fair value as at the date of the financial statements.

SSE shows the change in the fair value of these forward contracts separately as this mark-to-market movement does not reflect the realised operating performance of the businesses. The underlying value of these contracts is recognised as the relevant commodity is delivered, which for the large majority of the position at 31 March 2024 is expected to be within the next 6 – 18 months.

The change in the operating derivative mark-to-market valuation was a £498.3m positive movement from the start of the year, reflecting a £452.2m positive movement on fully consolidated operating derivatives combined with a £46.1m share of positive movement on derivatives in jointly controlled entities (net of tax) driven by commodity contract revaluations.

The positive movement of £452.2m on fully consolidated operating derivatives includes:

- Settlement during the year of £1,025.3m of previously net "out-of-the-money" contracts in line with the contracted delivery periods; and
- An adverse net mark-to-market remeasurement of £(573.1)m on unsettled contracts including affiliate CfDs, largely entered into during the course of 2022/23 and 2023/24 and in line with the Group's stated approach to hedging. This mark-to-market remeasurement – which compares to a £(2,980.2)m adverse movement in the prior period – reflects the reduced volatility seen in commodity markets during the year.

As in prior years, the reported result does not include remeasurement of 'own use' hedging agreements which do not meet the definition of a derivative financial instrument under IFRS 9 "Financial Instruments".

Commodity stocks held at fair value
Gas inventory purchased by the Gas Storage business for secondary trading opportunities is held at fair value with reference to the forward month market price. The £9.1m favourable movement in the year reflects the combination of a higher forward market price at the period end when compared to the actual weighted average cost of gas stored at that time and the decrease in the amount of gas physically held.

However, whilst this movement reflects the net change in fair value of physical gas inventory held at the period end, it does not take into account any positive or negative mark-to-market movement on forward contracted sales. Therefore, similar to derivative contracts held at fair value, SSE does not expect that this valuation movement will reflect the final result realised by the business.

Financing derivatives
In addition to the movements above, a positive movement of £6.1m was recognised on financing derivatives in the year ended 31 March 2024, including mark-to-market movements on cross-currency swaps and floating rate swaps that are classed as hedges under IAS 39. These hedges ensure that any movement in the value of net debt is predominately offset by a movement in the derivative position. The recognised gain reflects a slight increase in the UK long term interest rates which means that the net "out of the money" position on these hedges has reduced slightly during the year.

These remeasurements are presented separately as they do not represent underlying business performance in the year. The result on financing derivatives will be recognised in adjusted profit before tax when the derivatives are settled.

Reported profit before tax and earnings per share

Taking all of the above into account, reported results for the twelve months to 31 March 2024 are significantly higher than the previous year. In addition to the £513.5m net gain on forward commodity, gas inventory and financing derivative fair value remeasurements and the £(266.0)m net pre-tax exceptional charge noted above – reported results also include, primarily, £26.2m of interest income on the net pension asset; £134.4m share of profits attributable to non-controlling interests; a £(9.9)m adjustment to legacy gas production decommissioning provisions; £(19.0)m depreciation on fair value uplifts; and a £(74.1) m share of joint venture interest and tax.

Reported results in the prior period reflected pre-tax certain re-measurement losses of £(2,351.9)m mainly driven by the significant volatility in commodity markets in the prior period, as well as pre-tax exceptional items of £(0.4)m reflecting various offsetting impairments, asset write-ups and a gain on sale, and £16.2m net interest income on the net pension asset.

Financial management and balance sheet

Debt metrics	Mar 2024 £m	Sep 2023 £m	Mar 2023 £m
Net Debt/EBITDA*	**3.0x**	**N/A**	**2.7x**
Adjusted net debt and hybrid capital (£m)	**(9,435.7)**	**(8,943.8)**	**(8,894.1)**
Average debt maturity (years)	6.4	5.9	6.4
Adjusted interest cover	8.9x	3.9x	7.6x
Average cost of debt at period end (including all hybrid coupon payments)	3.90%	4.02%	3.92%

* Note: Net debt represents the group adjusted net debt and hybrid capital. EBITDA represents the full year group adjusted EBITDA, less £179.6m at March 2024 (March 2023: £146.9m) for the proportion of adjusted EBITDA from equity-accounted Joint Ventures relating to project financed debt.

Net finance costs reconciliation	Mar 2024 £m	Mar 2023 £m
Adjusted net finance costs	**251.7**	**345.6**
Add/(less):		
Lease interest charges	(25.8)	(29.4)
Notional interest arising on discounted provisions	(25.2)	(22.1)
Hybrid equity coupon payment	73.1	38.8
Adjusted finance costs for interest cover calculation	273.8	332.9

Principal Sources of debt funding	Mar 2024 £m	Sep 2023 £m	Mar 2023 £m
Bonds	58%	54%	54%
Hybrid debt and equity securities	18%	18%	18%
European investment bank loans	5%	5%	5%
US private placement	8%	8%	10%
Short-term funding	8%	11%	9%
Index –linked debt	3%	4%	4%
% of which has been secured at a fixed rate	**93%**	**91%**	**92%**

Rating Agency	Rating	Criteria	Date of Issue
Moody's	Baa1 'stable outlook'	'Low teens' Retained Cash Flow/Net Debt	19 December 2023
Standard and Poor's	BBB+ 'outlook positive'	About 18% Funds From Operations/Net Debt	5 September 2023

Maintaining a strong balance sheet

A key objective of SSE's long-term approach to balancing capital investment, debt issuance and securing value and proceeds from disposals is by maintaining a strong net debt/EBITDA ratio. SSE calculates this ratio based on a methodology that it believes best reflects its activities and commercial structure, in particular its strategy to secure value from partnering by using Joint Ventures and non-recourse project financing.

SSE considers it has the capacity to reach a ratio of up to around 4.5x, comparable with private sector utilities across Europe, whilst remaining above the equivalent ratios required for an investment grade credit rating.

Given the strength of the Group's Balance Sheet, the current net debt/EBITDA ratio is well below this threshold at 3.0x. However it is expected that this ratio will trend upwards to around, 4.0x as the Group delivers on its £20.5bn investment plan to 31 March 2027.

SSE's Standard and Poor's credit rating was re-affirmed in September 2023 at BBB+ with 'outlook positive' and its Moody's rating was reaffirmed in December 2023 at Baa1 with 'stable outlook'.

Adjusted net debt and hybrid capital

SSEs adjusted net debt and hybrid capital was £9.4bn at 31 March 2024, an increase of £0.5bn from 31 March 2023. With no significant acquisitions or divestments in the period, the debt movement relates to capital investment expenditure and revaluation of currency debt as well as various working capital movements being offset by operating cash flows less dividend payments.

Debt summary as at 31 March 2024

The Group issued £1.1bn of new long-term debt in the financial year whilst also continuing to roll Commercial Paper at a broadly similar level as 31 March 2023:

- In September 2023, SSE plc issued an eight-year €750m green bond at a fixed coupon of 4.0% with an all-in cost of funding rate of just above 4% once fees have been included. The bond was left in Euros as a net investment hedge for the Group's Euro denominated subsidiaries.
- In January 2024, Scottish Hydro Electric Transmission plc issued a 20 year £500m green bond at a fixed coupon of 5.5% with an all-in funding cost of 5.575% once fees have been included.
- Over the course of the year, SSE plc rolled maturing short-term debt which takes the total outstanding Commercial Paper at 31 March 2024 to €990m (£852m[1]). Commercial Paper has been issued in Euros and swapped back to Sterling at an average cost of debt of 5.75% and matures between April 2024 and May 2024.

In the year ended 31 March 2024, £0.7bn of medium-to-long-term debt has matured comprising £155m of US Private Placements which matured in April 2023 and September 2023, €700m (£514m) of Eurobonds which matured in September 2023 and £50m of European Investment Bank fixed rate loans which matured in September 2023.

Over the next financial year, there is a further £0.2bn of medium-to-long-term debt maturing being the £204m US Private Placement maturing in April 2024. As noted above, €990m (£852m) of short-term debt in the form of Commercial Paper is also due to mature in the first half of 2024/25, however the current intention is to roll this maturing short-term debt forward throughout the 2024/25 financial year.

Hybrid bonds summary as at 31 March 2024

Hybrid bonds are a valuable part of SSE's capital structure, helping to diversify SSE's investor base and most importantly to support credit rating ratios, as their 50% equity treatment by the rating agencies is positive for SSE's credit metrics.

A summary of SSE's hybrid bonds as at 31 March 2024 can be found below:

Issued	Hybrid Bond Value[1]	All in rate[2]	First Call Date	Accounting Treatment
July 2020	£600m	3.74%	Apr 2026	Equity accounted
July 2020	€500m (£453m)	3.68%	July 2027	Equity accounted
April 2022	€1bn (£831m)	4.00%	Apr 2028	Equity accounted

1 Sterling equivalents shown reflect the fixed exchange rate on date of receipt of proceeds and is not subsequently revalued.
2 All in rate reflects coupon on bonds plus any cost of swap into sterling which currently only applies to July 2020 Hybrid.

Further details on each hybrid bond can be found in Note 22 to the Financial Statements and a table noting the amounts, timing and accounting treatment of coupon payments is shown below:

Hybrid coupon payments

	2024/25		2023/24	
	HYe	FYe	HYa	FYa
Total equity (cash) accounted	£73m	£73m	£73m	£73m
Total debt (accrual) accounted	–	–	–	–
Total hybrid coupon	**£73m**	**£73m**	**£73m**	**£73m**

SSE's July 2020 and April 2022 hybrid bonds are perpetual instruments and are therefore accounted for as part of equity within the Financial Statements but, consistent with previous years, have been included within SSE's 'Adjusted net debt and hybrid capital' to aid comparability.

The coupon payments relating to the equity accounted hybrid bonds are presented as distributions to other equity holders and are reflected within adjusted earnings per share when paid.

Managing net finance costs

SSE's adjusted net finance costs – which included interest on debt accounted hybrid bonds but not equity accounted hybrid bonds – were (£251.7m) in the year ended 31 March 2024, compared to (£345.6m) in the previous year. The lower level of finance costs in the year is driven by lower swap interest arising from higher short term interest rates on fixed rate swaps, the impact of lower inflation on index linked debt, and higher capitalised interest costs reflecting increasing construction activity. These were partially offset by a higher share of JV costs, predominantly due to Seagreen becoming fully operational during the year.

Reported net finance costs were (£113.1m) compared to (£59.3m) in the previous period. Higher interest charges incurred in Joint Ventures combined with a £195.8m decrease in beneficial movement on financing derivatives as previously referenced more than offset the reduction seen in adjusted net finance costs.

Summarising cash and cash equivalents

At 31 March 2024, SSE's adjusted net debt included cash and cash equivalents of £1.0bn, which is slightly higher than the £0.9bn at March 2023.

The cash collateral balance at 31 March 2024 was a net liability of £353.2m, consisting of a liability of £362.5m and an asset of £9.3m (2023: £nil liability and £316.3m asset). This reflects the lower levels of initial margin required for commodity contracts traded on exchanges following a reduction in risk factors and the Group replacing cash collateral with £100m of letters of credit.

1 Commercial Paper issued has a face value of €990m (£852m) and a fair value of £840m as at 31 March 2024.

Additionally, variation margin positions for March 2024 have moved to being 'in the money' due to lower commodity prices versus the 'out the money' positions experienced in the prior year.

Cash collateral is only required for forward commodity contracts traded through commodity exchanges and comprises an 'initial margin' element based on the size and period of the trade and a 'variation margin' element which will change from day to day depending on the fair value of that trade each day. The level of cash collateral either provided or received therefore depends on the volume of trading through the exchanges, the periods being traded and the associated price volatility. As collateral is only required on a portion of trades, the movement in collateral provided or received will not correlate to the IFRS 9 fair value movement recognised, which also only covers a portion of the total Group trading activity. The decrease in cash collateral reflects the lower forward power and gas price environment, alongside reduced-price volatility in those markets.

Revolving Credit Facility/ short-term funding

SSE has £3.5bn of committed bank facilities in place to ensure the Group has sufficient liquidity to allow day-to-day operations and investment programmes to continue in the event of disruption to Capital Markets preventing SSE from issuing new debt for a period of time. These facilities are set out in the table below.

Date	Issuer	Debt type	Term	Value
March 19	SSE plc	Syndicated Revolving Credit Facility with 10 Relationship Banks	2026	£1.3bn
October 19	SSE plc	Revolving Credit Facility with Bank of China	2026	£200m
November 22	SHET plc	Syndicated Revolving Credit Facility with 11 Relationship Banks	2026	£750m
November 22	SHEPD plc and SEPD plc	Syndicated Revolving Credit Facility with 11 Relationship Banks	2026	£250m
February 23	SSE plc	Syndicated Revolving Credit Facility with 10 Relationship Banks	2025	£1.0bn

In November 2022, SSEN Transmission entered a three-year £750m facility, including two one-year optional extensions with the first year's option exercised in September 2023. A £250m facility on the same terms has been entered into by SSEN Distribution. These facilities support the ongoing capital expenditure investment programmes that are required to deliver their ambitious future growth plans and will be drawn on as required.

The £1bn facility signed in February 2023 (and subsequently extended for a further year in February 2024) was executed to cover potential cash collateral balances required to cover commodity positions on exchanges or via credit support annexes on bilateral contracts.

The facilities can also be utilised to cover short-term funding requirements – however they remain undrawn for most of the year and were undrawn as at 31 March 2024 (2023: £100m drawn on the £750m SHET plc facility).

The two SSE plc facilities totalling £1.5bn that mature in 2026 are classified as sustainable facilities with interest rate and fees paid dependant on SSE's performance in environmental, social and governance matters, as assessed independently by Moody's ESG Solutions. The £750m Transmission facility is also classified as a sustainable facility with interest rate and fees paid dependant on four ESG-related KPI's being achieved.

In addition to the above, a $300m private placement shelf facility exists with NY Life which can be drawn in approximately two equal tranches 12 months apart over the next three years. At 31 March 2024, no drawings have been made on this facility. The Group also has access to a £15m overdraft facility.

Maintaining a prudent treasury policy

SSE's treasury policy is designed to be prudent and flexible. In line with that, cash from operations is first used to finance regulatory and maintenance capital expenditure and then dividend payments, with investment and capital expenditure for growth generally financed by a combination of cash from operations, bank borrowings and bond issuance.

As a matter of policy, a minimum of 50% of SSE's debt is subject to fixed rates of interest. Within this policy framework, SSE borrows as required on different interest bases, with financial instruments being used to achieve the desired out-turn interest rate profile. At 31 March 2024, 93% of SSE's borrowings were at fixed rates (2023: 91%).

Borrowings are mainly in Sterling and Euros to reflect the underlying currency denomination of assets and cash flows within SSE. All other foreign currency borrowings are swapped back into either Sterling or Euros.

Transactional foreign exchange risk arises in respect of procurement contracts, fuel and carbon purchasing, commodity hedging and energy portfolio management operations, and long-term service agreements for plant.

SSE's policy is to hedge any material transactional foreign exchange risks using forward currency purchases and/or financial instruments. Translational foreign exchange risk arises in respect of overseas investments; hedging in respect of such exposures is determined as appropriate to the circumstances on a case-by-case basis.

Ensuring a strong debt structure through medium- and long-term borrowings

The ability to raise funds at competitive rates is fundamental to investment. SSE's fundraising over the past five years, including senior bonds, hybrid capital and term loans, now totals £5.8bn and SSE's objective is to maintain a reasonable range of debt maturities.

A key objective of the Group's NZAP Plus five-year investment plan is to strike the right balance between capital investment, long-term debt issuance and securing value through disposals, all whilst maintaining a strong net debt/EBITDA ratio. Whilst this investment will naturally require a level of incremental debt issuance – in addition to refinancing of existing debt – the Group considers the plan to be fully-funded given expected continued access to debt markets and with SSE retaining a strong investment grade credit rating.

At 31 March 2024, the average debt maturity, excluding hybrid securities, at 31 March 2024 was 6.4 years, consistent with the position at 31 March 2023. This position reflects the £1.1bn of new long-term debt issued in the last year, which has been offset by maturing long term debt.

SSE's average cost of debt is now 3.90%, compared to 3.92% at 31 March 2023. The small decrease relates to higher swap income on fixed rate swaps due to higher floating rates in the period.

Going concern

The Directors consider that the Group has adequate resources to continue in operational existence for the period to 31 December 2025. The financial statements are therefore prepared on a going concern basis.

In reaching their conclusion, the Directors regularly review the Group's funding structure (see note 21 of the Financial Statements) against the current economic climate to ensure that the Group has the short- and long-term funding required. The Group has performed detailed going concern testing, including the consideration of cash flow forecasts under stressed scenarios for the period to December 2025.

The Group has an established €1.5bn Euro commercial paper programme (paper can be issued in a range of currencies and swapped into Sterling) and as at 31 March 2024 there was £840m commercial paper outstanding. In the year ended 31 March 2024, the Group has issued new long-term debt instruments totalling £2.0bn and has redeemed £0.7bn of maturing medium-long-term debt. The Group also continues to have access to its £3.5bn of revolving credit facilities. As at 31 March 2024 there were no drawings against these committed facilities. The details of the five committed facilities at 31 March 2024 are:

- a £1.3bn revolving credit facility for SSE plc maturing March 2026;
- a £0.2bn bilateral facility for SSE plc maturing October 2026;
- a £0.75bn facility for Scottish Hydro Electric Transmission plc maturing November 2026;
- a £0.25bn facility for Scottish Hydro Electric Power Distribution plc and Southern Electric Power Distribution plc maturing November 2026; and
- a £1.0bn committed facility for SSE plc maturing February 2025.

The £1.3bn revolving credit facility and £0.2bn bilateral facility are both in place to provide back-up to the commercial paper programme and support the Group's capital expenditure plans. The Transmission and Distribution related facilities, both of which have a further one year extension option at the borrower's discretion, were entered into to help cover the capital expenditure and working capital of those businesses. The one year extension option on the £1bn committed facility for SSE plc was exercised in February 2024, and was entered into to provide cover for potential cash collateral requirements if periods of extreme volatility return to the commodity markets. There were no drawings against these facilities at 31 March 2024 compared to £100m drawn on the £750m Transmission facility at 31 March 2023.

Operating a Scrip Dividend Scheme

SSE's Scrip Dividend Scheme was last renewed for a three-year period at the 2021 AGM and will be proposed for renewal for a further three-year period at the 2024 AGM. As part of the Group's dividend plan to 2026/27, it is intended that take-up from the Scrip Dividend Scheme will be capped at 25%. This cap would be implemented by means of a share repurchase programme, or 'buyback', in October each year following payment of the final dividend. The scale of any share repurchase program would be determined by shareholder subscription to Scrip Dividend Scheme across the full year, taking into account the interim and final dividend elections.

Following approval of the dividend at the Annual General Meeting on 20 July 2023, and receipt of the final dividend scrip elections on 24 August 2023, the overall scrip dividend take-up for the 2022/23 financial year was less than the 25% threshold and therefore no buy-back to limit scrip dilution was required.

SSE believes limiting the dilutive effect of the Scrip in this way strikes the right balance in terms of giving shareholders choice, potentially securing cash dividend payment savings and managing the number of additional shares issued.

SSE'S principal joint ventures and associates

SSE's financial results include contributions from equity interests in joint ventures ("JVs") and associates, all of which are equity accounted. The details of the most significant of these are included in the table below. This table also highlights SSE's share of off-balance sheet debt associated with its equity interests in JVs which totals around £3.6bn as at 31 March 2024.

SSE principal JVs and associates[1]	Asset type	SSE holding	SSE share of external debt	SSE Shareholder loans
Marchwood Power Ltd	920MW CCGT	50%	No external debt	£12m
Seabank Power Ltd	1,234MW CCGT	50%	No external debt	No loans outstanding
SSE Slough Multifuel Ltd	50MW energy-from-waste facility	50%	No external debt	£158m
Triton Power Holdings Ltd	1,200MW CCGT & 140MW OCGT	50%	No external debt	No loans outstanding
Beatrice Offshore Windfarm Ltd	588MW offshore wind farm	40%	£623m	Project financed
Dogger Bank A Wind Farm	1,200MW offshore wind farm	40%	£928m	£88m
Dogger Bank B Wind Farm	1,200MW offshore wind farm	40%	£785m	Project financed
Dogger Bank C Wind Farm	1,200MW offshore wind farm	40%	£619m	Project financed
Ossian Offshore Windfarm Ltd	ScotWind seabed	40%	No external debt	No loans outstanding
Seagreen Wind Energy Ltd	1,075MW offshore wind farm	49%	£661m	£995m[2]
Seagreen 1a Ltd	Offshore wind farm extension	49%	No external debt	£22m
Lenalea Wind Energy Ltd	30MW onshore wind farm	50%	No external debt	£14m
Clyde Windfarm (Scotland) Ltd	522MW onshore wind farm	50.1%	No external debt	£127m
Dunmaglass Windfarm Ltd	94MW onshore windfarm	50.1%	No external debt	£47m
Stronelairg Windfarm Ltd	228MW onshore wind farm	50.1%	No external debt	£89m
Cloosh Valley Wind Farm	105MW onshore wind farm	25%	No external debt	£25m
Neos Networks Ltd	Private telecoms network	50%	No external debt	£58m

Notes:
1 Greater Gabbard, a 504MW offshore windfarm, is proportionally consolidated and reported as a Joint Operation with no loans outstanding.
2 For accounting purposes, £309m of the £995m of SSE shareholder loans advanced to Seagreen Wind Energy Limited have been classified as equity.

Taxation

SSE is one of the UK's biggest taxpayers, and in the 2023 PwC Total Tax Contribution survey published in December 2023 was ranked 17th out of the 100 Group of Companies in 2023 in terms of taxes borne (those which represent a cost to the company, and which are reflected in its financial results).

SSE considers being a responsible taxpayer to be a core element of its social contract with the societies in which it operates and seeks to pay the right amount of tax on its profits, in the right place, at the right time. While SSE has an obligation to its shareholders, customers and other stakeholders to efficiently manage its total tax liability, it does not seek to use the tax system in a way it does not consider it was meant to operate or use tax havens to reduce its tax liabilities.

Under its social contract SSE has an obligation to the society in which it operates, and from which it benefits – for example, tax receipts are vital for the public services SSE relies upon. Therefore, SSE's tax policy is to operate within both the letter and spirit of the law at all times.

SSE was the first FTSE 100 company to be Fair Tax Mark accredited and has now been accredited for ten years. The group's overseas expansion presented the opportunity to move to Fair Tax Foundation's Global Multinational Business Standard Accreditation, which was launched in late 2021. SSE was the first company to transition from the UK headquartered accreditation to the global accreditation in 2022.

In November 2023, SSE published its 'Talking Tax 2023: tax matters for net zero' report. It did this because it believes building trust with stakeholders on issues relating to tax is important to the long-term sustainability of the business. SSE won PwC's Building Public Trust Award for Tax Reporting in the FTSE 350 for the second consecutive year for the quality of its tax reporting.

In the year to 31 March 2024, SSE paid £679.2m of profit taxes, property taxes, environmental taxes, and employment taxes in the UK, compared with £501.7m in the previous year. The increase in total taxes paid in 2023/24 compared with the previous year was primarily due to higher levels of corporation tax being paid on UK profits, together with higher employment taxes and property taxes due to the expansion of the Group's activities.

In the year to 31 March 2024 SSE also paid €68.0m of taxes in Ireland, compared to €53.8m the previous year, due to increased profits in SSE's Irish businesses and a general increase in business activities. Ireland is the only country outside the UK in which SSE currently has significant trading operations – activities elsewhere are still at an early stage and are not yet paying material amounts of tax.

As with other key financial indicators, SSE's focus is on adjusted profit before tax and, in line with that, SSE believes that the adjusted current tax charge on that profit is the tax measure that best reflects underlying performance. SSE's adjusted current tax rate, based on adjusted profit before tax, was 17.1%, compared with 16.4% in 2022/23 on the same basis. The increase in rate is primarily as a result of the increase in UK corporation tax rate from 19% to 25% from 1 April 2023, partly mitigated by increased capital allowances as noted below.

On 23 March 2023, the Group's case concerning the availability of capital allowances on Glendoe Hydro Electric Station was heard at the Supreme Court. On 17 May 2023, the Supreme Court released its decision, which rejected HMRC's appeal in full. The matter is now concluded and is not subject to further appeal.

The adoption during the period of the "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" amendment to IAS 12 "Income Taxes" resulted in an increase of £50.1m (2023: £45.5m) to the Group's gross deferred tax assets and gross deferred tax liabilities recognised in relation to the Group's decommissioning obligations and a reclassification between deferred tax categories of £79.5m. Adoption had no impact on retained earnings or profits recognised in presented periods.

The UK Spring Budget in March 2023 introduced "full expensing" for qualifying capital expenditure incurred during the period from 1 April 2023 to 31 March 2026, that measure then being made permanent in the November 2023 Autumn Statement. Capital allowances rates of 100% and 50% replace the existing rates of 18% and 6% respectively for qualifying capital expenditure, significantly increasing the amount of capital allowances available on SSE's capital investment programme.

The UK has now introduced legislation in respect of Multinational Top-up Tax in line with OECD BEPS pillar 2 principles. The Group has applied the exemption from recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes as required by the amendments to IAS 12 – International Tax Reform—Pillar Two Model Rules, which were issued in May 2023.The legislation will come into force for the year ended 31 March 2025. Similar draft legislation has been introduced in the Republic of Ireland and other EU jurisdictions. The Group has undertaken modelling and does not expect a material impact to arise as tax rates, including deferred tax, in the countries in which the Group operates are expected to exceed 15%.

Pensions

Contributing to employees' pension schemes – IAS 19	March 24 £m	March 23 £m
Net pension scheme asset recognised in the balance sheet before deferred tax £m	**421.6**	541.1
Employer cash contributions Scottish Hydro Electric scheme £m	**1.0**	1.0
Employer cash contributions Southern Electric scheme £m	**27.1**	52.1
Deficit repair contribution included above £m	**16.3**	38.0

In the year to 31 March 2024, the surplus across SSE's two pension schemes decreased by £119.5m, from £541.1m to £421.6m, primarily due to actuarial losses of £155.2m, offset partially by contributions to the schemes.

The valuation of the **SSE Southern scheme** decreased by £92.2m in 2023/2024 primarily due to actuarial losses of £118.1m driven by losses on plan assets, offset partially by contributions to the scheme of £27.1m.

The decrease in contributions in the year is driven by the new schedule of contributions agreed by the Group following finalisation of the scheme's most recent triennial valuation.

The **Scottish Hydro Electric Pension scheme** has partially insured against volatility in its deferred and pensioner members through the purchase of 'buy-in' contracts meaning that the Group only retains exposure to volatility in active employees. During the year the scheme's surplus decreased by £27.3m. This decrease was also mainly driven by actuarial losses relating to losses on plan assets.

Additional information on employee pension schemes can be found in note 23 to the Financial Statements.

Business Unit operating review

Segmental overview

SSE has a very deliberately diversified business mix that spans the clean energy value chain. These businesses, and the world-class assets they maintain, operate alongside each other to optimise growth and create long-term value.

SSEN Transmission

R

Who SSEN Transmission serves
Electricity generators, large electricity demand customers and ultimately all electricity customers across the north of Scotland and beyond.

How it supports SSE's strategy
SSEN Transmission invests in the critical infrastructure needed for a network for net zero that connects sources of renewable electricity to the national grid and transports it to areas of demand. The business is 75% owned by SSE plc and 25% by investment partner the Ontario Teachers' Pension Plan Board.

How it is remunerated
Through economically regulated returns recovered from generators and customers that are potentially enhanced through efficient delivery. In addition to Certain View expenditure, Uncertainty Mechanisms permit recovery of additional revenue in a given price control period to reflect additional investment requirements. These Uncertainty Mechanisms fund network upgrades during the price control period.

SSEN Distribution

R

Who SSEN Distribution serves
Over 3.9m homes and businesses in two large, diverse licence areas in southern central England, and the north of Scotland.

How it supports SSE's strategy
SSEN Distribution drives the growth of net zero connections for the communities it serves. It does this through a combination of strategic network investment and the targeted deployment of flexible solutions. Together, these support increased connections to the network, and the increasing take-up of low-carbon technologies.

How it is remunerated
Through economically regulated returns recovered from customers and connecting parties. Additional earnings come through efficient delivery of investment and performance-related incentives.

SSE Renewables

M

Who SSE Renewables serves
Electricity customers across GB, Ireland and selected overseas markets who are increasingly seeking lower-carbon sources of energy.

How it supports SSE's strategy
SSE Renewables is driving the net zero transition through the development, financing, construction and operation of world-class renewables in domestic and selected international markets. It also operates and develops pumped hydro storage that provides the flexible and dispatchable electricity needed for a smooth transition to net zero.

How it is remunerated
Through the wholesale electricity market, ancillary services market, Capacity Market, Balancing Mechanism revenue from hydro output, power purchase agreements, and government support schemes for renewable energy.

SSE Energy Markets

M

Who SSE Energy Markets serves
SSE's individual Business Units and the SSE Group.

How it supports SSE's strategy
The work SSE Energy Markets does is key to managing risk associated with the operations behind SSE's Net Zero Acceleration Programme Plus. It trades the principal commodities to which SSE's asset portfolios are exposed, as well as the spreads between two or more commodity prices (e.g. spark spreads); power (baseload and other products); gas; and carbon (emissions allowances). Each commodity has different risk and liquidity characteristics, which impacts the quantum of hedging possible.

Key:

M Market-focused businesses

R Economically regulated businesses

See Our business model on page 6 for further details on our business assets

SSE Thermal (M)

Who SSE Thermal serves
Electricity suppliers, traders and other generators through the energy market; the national grid, and ultimately electricity customers.

How it supports SSE's strategy
SSE Thermal is providing critical flexibility to offset renewables variability as the energy system transitions to net zero. The strategic importance of its Gas Storage assets has been highlighted by recent world events and the increasing focus on national energy self-sufficiency.

How it is remunerated
The wholesale energy market, Capacity Market and ancillary services market provide the core revenue streams. The fleet also responds to forward market volatility and within day demand, providing flexible generation and storage.

Energy Customer Solutions (M)

Who Energy Customer Solutions serves
750,000 domestic and business customers in the all-island Ireland energy supply market, and around 380,000 non-domestic customers in GB.

How it supports SSE's strategy
Energy Customer Solutions is responding to the climate emergency as a route to market for SSE's low-carbon energy generation and through the provision of a suite of energy solutions to customers who are increasingly focused on the transition to net zero.

How it is remunerated
By competing for customers and direct billing to them and third party intermediaries, and through state-supported schemes.

SSE Enterprise (M)

Who SSE Enterprise serves
The public sector and commercial markets in GB and the island of Ireland. Through its Distributed Energy division it provides smart solutions for assets deployed and for businesses, buildings and cities.

How it supports SSE's strategy
Distributed energy, solar and battery storage assets have an increasingly important role to play in the GB energy system as electrification accelerates and generation is increasingly led by intermittent wind output. They also provide valuable diversity and optionality to the SSE portfolio.

How it is remunerated
By winning bids and contracts, and earning revenue from them.

How it is remunerated
It receives fees for providing energy trading services to the constituent parts of the SSE Group.

Business Unit operating review

SSEN Transmission

> Our £20bn 'Pathway to 2030' investment programme positions us as one of Europe's fastest growing transmission networks. We're delivering the critical infrastructure required to enable renewable energy and deliver on government energy security and net zero targets, all whilst leaving a positive lasting legacy for communities, at an affordable cost for consumers, while providing a fair return for shareholders."

Rob McDonald
Managing Director, SSEN Transmission

Members of the public discuss transmission plans at Tealing Village Hall in the Highlands

RIIO-T2 operational delivery

SSEN Transmission continues to deliver strong operational performance in 2023/24, achieving 95% of the available reward through the 'Energy Not Supplied' (ENS) incentive, equating to £730k additional income in the year (18/19 prices). This slight reduction in performance relates to one brief outage which was quickly resolved, while overall performance has earned 98.3% of available reward since the beginning of RIIO-T2 and £2.3m additional incentive income (18/19 prices). This performance is underpinned by a robust and ongoing programme of inspection, maintenance, refurbishment and replacement of SSEN Transmission's assets, keeping the lights on for communities across the north of Scotland and ensuring reliable network access for electricity generators to support security of supply in Great Britain.

Capital investment programme

SSEN Transmission's RIIO-T2 capital investment programme continues, with progress being made across major projects. This includes the Shetland High Voltage Direct Current (HVDC) Link, with all offshore cable works now complete including seabed rock placement. The onshore cable works are also complete following a successful high voltage test in January 2024. The project is now in the final commissioning stage, remaining on track for completion and full energisation in summer 2024. Work has also progressed to connect Shetland's existing electricity distribution network to the Shetland HVDC link, connecting Shetland's homes and business to the GB electricity network for the first time via the new Grid Supply Point being constructed at Gremista. The Kergord-Gremista 132kV circuits will then connect the HVDC link to the new Gremista Grid Supply Point. Following a well-publicised incident at the site earlier this month, which resulted in no injuries, work is expected to recommence in stages and the project remains on track to be complete by the end of 2025.

Progress has also been made on increasing the capacity of the North-East Scotland transmission network to 400kV, with all circuits in the first phase completed and energised in February 2024. Work to increase incrementally the voltage in this area of the network continues with the next phase due to be completed towards the end of 2026, in line with RIIO-T2 commitments. Further 400kV infrastructure is expected to enter construction as part SSEN Transmission's ASTI projects, from 2026 onwards.

As of 31 March 2024, the total installed capacity of the north of Scotland network was almost 10.6GW, of which just over 9.3GW is from renewable and other low carbon sources, including 0.6GW of pumped storage and batteries. Several large renewable schemes are scheduled to connect during FY25, and SSEN Transmission is on track to exceed its RIIO-T2 goal to deliver an electricity network in the north of Scotland with the capacity and flexibility to accommodate 10GW of renewable generation, enough to power more than 10m homes by 2026.

For financial performance commentary please refer to the Group Financial Review.

Other regulatory investments

The business has made significant progress over the course of the last few years in securing the regulatory approvals required to take forward several major investments over and above its baseline investment case secured at the start of RIIO-T2. Initially, large onshore transmission projects were taken forward through Ofgem's Large Onshore Transmission Investment (LOTI) Uncertainty Mechanism, with SSEN Transmission currently progressing three projects through that framework. However, to accelerate the regulatory process and facilitate delivery of the required offshore and onshore network reinvestments required for the energy transition, Ofgem introduced the Accelerated Strategic Transmission Investment (ASTI) regulatory framework in December 2022 with SSEN Transmission currently progressing a further eight projects through that framework.

To support the timely delivery of ASTI projects, SSEN Transmission is actively advocating for a maximum 12-month

SSEN Transmission key performance indicators

	March 2024	March 2023
SSEN Transmission		
Transmission adjusted operating profit[1] – £m	**419.3**	372.7
Transmission reported operating profit – £m	**559.1**	405.5
Transmission adjusted investment and capital expenditure – £m	**595.6**	495.5
Gross Regulated Asset Value (RAV) – £m	**5,676**	4,836
SSE Share Regulated Asset Value (RAV)[1] – £m	**4,257**	3,627
Renewable Capacity connected within SSEN Transmission Network area – MW[2]	**9,312**	9,208

1 Excludes 25% minority interest from 1 December 2022
2 Transmission and distribution connected capacity within the SSEN Transmission Network area includes 300MW (2022/23: 300MW) of pumped storage and 334MW (2022/23: 285MW) of battery storage.

determination of all Section 37 overhead line planning applications. This is in line with the recommendations of the UK Government's Electricity Networks Commissioner, and others.

LOTI projects
In July 2023, Ofgem approved the Final Needs Case for the Orkney transmission link, the final piece in connecting all three of Scotland's main island groups to the GB electricity network. The Orkney transmission link will accommodate around 220MW of renewable electricity generation, helping further unlock Orkney's vast renewable potential alongside supporting the continued development and growth of Orkney's marine energy sector. Main construction works are due to commence in summer 2024, with full energisation expected in 2028.

In August 2023, Ofgem also approved the Final Needs Case for the Skye reinforcement project, which will see the replacement and upgrade of the existing Fort Augustus to Skye transmission line. This is required to maintain security of supply and enable the connection of renewable electricity generation along its route. Both substation applications were granted consent by the Highland Council in early 2024 with a decision on the Section 37 overhead line planning application expected during 2024 with construction works ready to begin and full energisation expected in 2028.

In October 2023, Ofgem approved the Final Needs Case for the Argyll and Kintyre 275kV Reinforcement, subject to all material planning consents being secured. The reinforcement is required to upgrade the local transmission network from 132kV to 275kV operation, supporting the forecast growth in renewables in the region. With all substation planning consents for the Argyll and Kintyre 275kV Reinforcement now secured, SSEN Transmission awaits the outcome of the Inveraray to Creagh Dhubh 275kV connection Section 37 planning application and the Public Local Inquiry for the Creag Dhubh to Dalmally 275kV connection, both of which are expected during 2024. Construction is planned to commence later in 2024, with full energisation expected during 2028.

ASTI projects
As part of the National Grid Electricity System Operator's NGESO Holistic Network Design (HND), eight projects were identified for SSEN Transmission to progress through Ofgem's ASTI framework which included several subsea cables, overhead line and substation installations and upgrades to support the connection of offshore wind and onshore electricity generation. These ASTI projects are wholly owned by SSEN Transmission, with the exception of the Eastern Green Link 2 (EGL2) and Eastern Green Link 3 (EGL3) which are being jointly developed with National Grid. The estimate of gross nominal investment required to deliver these projects is around £17bn.

The EGL2 project – which will see the installation of a 2GW subsea superhighway of electricity transmission between the north east of Scotland and Yorkshire – has made progress during the year with Marine Scotland granting a Marine Licence for cable protection measures in May 2023. The project also reached contract award status in February 2024 with Prysmian Group to supply around 1,000km of cable as well as Hitachi Energy and BAM to supply the converter stations at either end of the link. With the onshore works now underway in Peterhead, the project remains on track for targeted completion in 2029.

The other ASTI projects also continue to progress, with SSEN Transmission reaching 'preferred bidder' status with its supply chain partners for its North of Scotland ASTI subsea HVDC projects, Spittal to Peterhead and the Western Isles, in May 2023. In August 2023, SSEN Transmission entered into Capacity Reservation Agreements with the supply chain for the HVDC cable and converter stations, securing supply chain manufacturing capacity in what is an extremely competitive and constrained global supply chain market. Also in August 2023, SSEN Transmission also reached 'preferred bidder' status for all of its key onshore ASTI projects, a significant milestone in securing the supply chain for the delivery of all overhead line, cabling and substation components.

SSEN Transmission has also concluded its first round of public consultation across its 100% owned onshore and subsea ASTI projects. Further consultation will take place throughout 2024 in advance of submitting consent applications to the relevant consenting authorities.

Finally, work to progress EGL3 – which will see the installation of a 2GW subsea superhighway of electricity transmission between the north east of Scotland and south Lincolnshire/West Norfolk – is also progressing with the supply chain now engaged with the tender process.

RIIO-T3 price control
The process to determine the parameters of the RIIO-T3 price control for SSEN Transmission commenced during the year with the publication in October 2023 by Ofgem of their Future Systems and Networks Regulation consultation, which confirmed the framework for the new price controls.

While the signals from Ofgem to support investment in the SSMC were positive, the unprecedented level of investment required to deliver the SSEN Transmission's £20bn plus of LOTI, ASTI and RIIO-T3 projects means the final RIIO-T3 framework must be attractive to both equity and debt providers. SSEN Transmission will work constructively with Ofgem and wider stakeholders to ensure the future regulatory framework provides the flexibility and agility required to deliver the unprecedented level of required investment.

Work progresses to develop the SSEN Transmission Business plan, which will be submitted to Ofgem, currently scheduled for December 2024.

Future growth opportunities

'Beyond 2030' report
Further investment beyond the Pathway to 2030 is required to unlock the North of Scotland's full renewable potential and to deliver energy security and net zero targets.

These additional onshore and offshore network reinforcements were set out by National Grid Electricity System Operator through the publication of the second transitional Centralised Strategic Network Plan (tCSNP), titled 'Beyond 2030' in March 2024. This will connect another tranche of ScotWind whilst also setting out options to deliver the remainder. For the north of Scotland, the ESO's plan confirms the need for a number of projects to proceed now for delivery by 2035, which combined represent a potential estimated investment of over £5bn for SSEN Transmission. This includes a second HVDC link to Shetland and in May 2024, the Sumitomo Electric Van Oord Consortium was selected as preferred bidder for the proposed 1.8GW subsea cable, the anchor project enabling Sumitomo Electric Industries investment in its new cable manufacturing facility at Nigg.

SSEN Distribution

"The first year of RIIO-ED2 has been one of great significance. We've worked hard to enable greater uptake of low-carbon technologies, making the big decisions on how we'll strengthen our network. We're also pushing forward with plans to develop a smart, fair, net zero electricity system."

Chris Burchell
Managing Director, SSEN Distribution

Networks apprentices under instruction at SSE's Perth Training Centre

RIIO-ED2 operational delivery

SSEN Distribution has completed the first year of operating in the RIIO-ED2 price control period. This price control, which will run until March 2028, identified the need for £3.6bn of baseline expenditure, representing an increase of 22% on the previous price control, alongside the opportunity to trigger up to £0.7bn in additional funding under Uncertainty Mechanisms. This will include investment to satisfy new demand and generation growth, and to improve subsea cable resilience for connections to Scottish islands.

SSEN Distribution is working closely with Ofgem, and its stakeholders, to ensure the price control has the agility and flexibility needed to deliver the infrastructure needed for net zero requirements, supported by a three-point strategy. This is centred on growing the asset base to underpin the net zero transition and as a consequence the Regulatory Asset Value (RAV) will increase; by driving targeted improvements in customer performance and operational efficiency; and by continuing SSEN Distribution's lead role in developing the future flexible energy system.

Improving customer performance

Targets for improving service levels for customers are set for SSEN Distribution through the regulatory framework. Incentive rewards will typically be collected two years after they are earned. In RIIO-ED2, the ability to secure higher incentive returns has been tightened, compared with previous price controls. Within the Interruptions Incentive Scheme (IIS), SSEN is offered an incentive on its performance against the loss of electricity supply, through the recording of the number of Customer Interruptions (CI) and Customer Minutes Lost (CML). These include planned, as well as unplanned, interruptions.

SHEPD's Customer Interruption (CI) performance has improved in the first year of RIIO-ED2 compared to the last year of RIIO-ED1, by 5%. SEPD has seen a decrease in its CI performance by 12%. Both SHEPD and SEPD's Customer Minutes Lost (CML) performance has decreased from 2022/23 by 11% and 17% respectively. In the first year of RIIO-ED2, a penalty of ~£13.7m was incurred across both SEPD and SHEPD under the Interruptions Incentive Scheme (IIS). This penalty arose from the introduction of tougher targets under the IIS compared to RIIO-ED1. In addition to this, adverse weather had an impact on CI and CML performance.

To put these figures in context, SSEN Distribution's licence areas have been severely affected by several named storms. Investment of £35m in automation across network areas has had a tangible, positive impact on SSEN Distribution's ability to reconfigure the system quickly and remotely, if a storm-related fault occurs. This, alongside cable replacement work to reinforce the network, has mitigated service interruptions in what has been an unsettled winter period.

As SSEN Distribution's investment in network renewal and reinforcement increases, there is a need to initiate Planned Service Interruptions to enable the business to carry out the necessary works safely and efficiently. This investment will significantly improve the performance of the network.

SSEN Distribution's Customer Satisfaction performance is a clear focus for the business, and the service improvements being made are making a positive difference. In SHEPD, our score increased by 0.67%; in SEPD it is up by 0.4%. For SSEN Distribution as a whole, there is a 0.54% increase: in line with the industry average of 0.56%.

In the first year of this current price-control period, SSEN Distribution is delivering ongoing efficiencies. £2m a year is already being saved through redesigned tenders for plant and materials, including for SSEN's extensive subsea maintenance and inspection programme.

Capital investment programme

The first year of the current price control period has featured an acceleration of SSEN Distribution's major capital investment programme across both its networks. This is

SSEN Distribution key performance indicators

	March 2024	March 2023
SSEN Distribution		
Distribution adjusted and reported operating profit – £m	**272.1**	382.4
Regulated Asset Value (RAV) – £m	**5,301**	4,720
Distribution adjusted investment and capital expenditure – £m	**505.1**	421.0
Electricity Distributed – TWh	**37**	36
Customer minutes lost (SHEPD) average per customer	**66**	59
Customer minutes lost (SEPD) average per customer	**58**	46
Customer interruptions (SHEPD) per 100 customers	**57**	60
Customer interruptions (SEPD) per 100 customers	**51**	44

Customer minutes lost and Customer interruptions figures estimated and subject to outturn of annual regulatory process

delivering performance improvements, an improved service for customers, and future earnings through RAV growth.

In 2023/24, capital expenditure has increased to £505m. This compares to £421m in 2022/23. In the past year, SSEN has spent £14.7m to upgrade the network from Aultbea to Ullapool. The £44m Pentland Firth East subsea cable was energised in September. This investment is now strengthening supplies in Orkney.

In the central southern England (SEPD) licence area, a new contracting system with three partners is now in place. A £1bn programme of investment, representing 25% of the total ED2 figure, is under way following the largest contract awards issued by SSEN Distribution. Three UK companies, Keltbray Energy Limited, OCU Services Limited and The Clancy Group Limited, are each responsible for a regional delivery zone. This new approach is reducing supply chain risk in delivering upgrades to the network in support of SSEs Net Zero Acceleration Plan, and is expected to deliver material efficiency benefits for customers through a collaborative approach to project delivery. The joint regional delivery teams are now well established, and are mobilised to accelerate the programme of capital delivery, including creating capacity for more new connections.

In the SHEPD licence area, in April 2024, SSEN Distribution issued opportunities to tender for a £320m programme of investment and infrastructure development in the north of Scotland. The investment will create greater network capacity, enable more connections, and increase network resilience. The change to award Framework Agreements based on geographical areas for underground cable works, substations, and overhead line projects gives a commitment to contract partners, which will help facilitate growth, and the development of locally-based workers, thus strengthening their own ability to deliver projects.

For financial performance commentary please refer to the Group Financial Review.

Other regulatory investments

SSEN Distribution has successfully triggered its first uncertainty mechanism with Ofgem approving over £30m in additional funding for cyber security following a submission in April 2023. A further submission was made in the October 2023 reopener window and is awaiting Ofgem's determination.

SSEN Distribution continued to work proactively with its stakeholders and the regulator to prepare robust, evidence-based submissions for a range of uncertainty mechanisms which were triggered in January 2024. These include security of supply on Shetland with a request for additional funding of £38m, the first phase of whole system investment for Hebrides and Orkney (HOWSUM) with a request of £59m and a request of £14m for an investment programme to enhance network resilience following the impact of Storm Arwen. Consultations and decision on these reopeners are still to take place.

Looking further ahead to load-related uncertainty mechanisms which will open for submissions in January 2025, SSEN Distribution is leading the way in taking a 'Net Zero First' approach to investment in distribution infrastructure to meet future generation and demand needs.

Leading on the future system

SSEN Distribution's goal is to facilitate the connection of around two million EVs and one million heat pumps by 2030. The growth in the take-up of low carbon technologies is needed in order to get to net zero, and demand is increasing sharply; there has been a 13-fold increase in the number of electric vehicles connected in the past six years. In addition to more demand-side connections to the network, an increasing number of generation projects like solar and battery are seeking to connect too. SSEN Distribution is working with transmission companies, NGESO, and other DNOs to modernise the connections system to connect more projects which are ready, while also reducing the impact of 'first come, first served' queueing.

In West London, SSEN Distribution and National Grid – in partnership with Electricity System Operator and Greater London Authority – have devised innovative solutions to unlocking electricity network capacity. By enabling ramped connections that deliver increased electricity supply over time, housing developments in parts of the London boroughs of Hounslow, Hillingdon and Ealing have had their connection dates brought forward. This means that project developments totalling 7,800 homes have had their connection dates accelerated.

SSEN's strong support for net zero planning at a local level, is also borne out by its proactive relationships with local authorities. This is epitomised by SSEN's sector-leading Local Energy Net Zero Accelerator (LENZA) Tool. LENZA is a geospatial planning tool, which empowers local authorities to make effective, efficient net-zero plans. It is designed to bring together a range of datasets, including SSEN's network data, to assist with strategic energy planning, and ensure that local plans are incorporated into SSEN's longer-term strategic network investment. LENZA also provides SSEN with the robust evidence for regulatory funding of future investment.

SSEN has onboarded more than half the applicable local authorities in how to use this tool. LENZA complements SSEN's support for local authorities in developing their own Local Area Energy Planning programmes.

Future growth opportunities

Smart. Fair. Now.

SSEN Distribution is at the forefront of sector-wide development around smart, flexible, electricity systems. Over the past year, it has published detailed plans for how its Distribution System Operations (DSO) will operate. These plans are based on SSEN's 'Smart, Fair, Now' principles, committing it to developing the smart electricity system of the future, in a way that is fair for all users, quickly.

Over the past few months, the DSO team has been following through on its overarching action plan with details on how and why decisions will be made, on the flexibility roadmap for between now and the end of the decade, on how data will be responsibly harnessed to make the electricity system smarter, and about how the network will develop through capital investment, and the efficient use of Flexibility Services.

On a practical level, SSEN Distribution continues to increase the tendering of Flexibility Services in areas where localised high demand can be offset to extend overall network capacity. During 2023/24, SSEN contracted 703MW of flexibility services for dispatch in ED2, and our network-wide call for flexibility is targeting a total of 5GW of flexible capacity by end of RIIO-ED2.

SSE Renewables

"We continue to diversify our portfolio across wind, hydro, solar and battery technologies in our core and select new markets. Our focus remains on optimising the value of our existing assets through skilled operation and maintenance, while accelerating growth to deliver more of the green energy the world needs to sustainably meet climate and energy security commitments."

Stephen Wheeler
Managing Director, SSE Renewables

Final preparations are made to one of the turbine blades at Viking wind farm

Operational delivery

In onshore wind, the lower-than-expected wind speeds in early summer led to the accelerated delivery of normal maintenance campaigns which were all completed ahead of plan. Asset availability has remained high throughout the year, particularly given the busy winter period which included 10 named storms. The second half of the year saw a return towards more normal wind speeds, albeit still below long-term averages, resulting in output around 6% down year-on-year.

In offshore, Beatrice (588MW, SSE share 40%) and Greater Gabbard (504MW, SSE share 50%) maintained high levels of availability throughout the year, however, Beatrice output was impacted by a wider transmission network fault during part of December. Greater Gabbard experienced higher than anticipated wind resource, whilst Beatrice was lower than expected, demonstrating the value of geographical diversity in the fleet.

Whilst there were some commissioning delays at Seagreen (1,075MW, SSE share 49%), the asset has since achieved significant stable and reliable generation towards the end of the financial year. The addition of Seagreen – which has more than doubled the installed offshore wind capacity – more than offset lower than average wind speeds, with output around 34% up year-on-year.

In hydro, teams managed extremely challenging weather conditions well throughout a number of major named storms. Plant availability was strong throughout 2023/24 and production was 3,071GWh, with normal storage levels ahead of the drier spring and summer months.

As part of standard practice, SSE Renewables periodically reviews its P50 production estimates (the forecast average measure of output over the project's life) across the fleet, updating assumptions for the latest data including weather conditions. The last four years have seen lower-than-expected weather resource, which has triggered a more detailed review of these assumptions. Whilst that review highlighted some small immaterial changes to expected output on an asset-by-asset basis, there was no net material effect across the whole fleet. The detailed review also validated the use of long-term wind speed averages – around 30 years – in the P50 production estimates, as a more accurate estimate of expected long-term profitability of these assets over their useful lives.

For financial performance commentary please refer to the Group Financial Review.

Delivering world-class assets

Seagreen formally entered into commercial operations in October 2023 with all 114 Vestas V164-10MW turbines now fully operational. Seagreen is now Scotland's largest wind farm as well as the world's deepest fixed-bottom offshore wind farm, with its deepest foundation installed at 58.7m below sea level.

Construction remains ongoing at all three phases of the world's largest offshore wind farm at Dogger Bank (each 1,200MW, SSE share 40%) off the coast of England.

All monopiles and transition pieces have now been installed at Dogger Bank A, with inter-array cable installation also well progressed. However, turbine installation has been affected by challenging weather conditions with vessel availability and supply chain delays further impacting progress. The return of the installation vessel back to site in early May has meant that turbine installation has now resumed and, assuming continued clear weather conditions, it is expected that installation activity will continue uninterrupted over the summer months, with the project targeting full commercial operations during the first half of 2025. With the HVDC Transmission system fully commissioned, it is expected that turbine commissioning and export will happen in conjunction with installation. It is not expected that the delays noted will materially affect project returns.

On Dogger Bank B, all monopiles, transition pieces and cables have been fabricated, with monopile installation having commenced in early May. An offshore substation platform utilising HVDC technology has also been successfully installed. It is expected that the delays seen on Dogger Bank A will impact the Dogger Bank B timetable, with completion of that phase expected in early 2026. Dogger Bank C works remains on track offshore and onshore with fabrication of components under way with completion of that phase expected in early 2027.

Onshore, construction of Viking (443MW) in Shetland is nearing completion. Turbine commissioning was completed throughout the winter months and the project is expected to be fully operational by Summer 2024 following energisation of the associated transmission link. When complete, Viking is expected to be the UK's most productive onshore wind farm.

In hydro, SSE Renewables continues to make progress with the Tummel Bridge power station refurbishment project, reaching a significant milestone in April 2024 with the successful commissioning and energisation of the first bespoke turbine. Full focus is now on the installation and commissioning of the second turbine, which is expected to be complete by mid-summer 2024 increasing the station's potential output to 34–40MW and extending its life by 30 years.

SSE Renewables continues to advance technology diversity as it progresses grid-scale solar and battery storage technology projects. In England, SSE's first 50MW battery energy storage system at Salisbury in Wiltshire is now fully operational while a second 150MW battery storage project at Ferrybridge in Yorkshire is due to reach completion within the next 12 months, located at the site of SSE's former coal power station. Construction is also under way at SSE's 320MW battery energy storage project at Monk Fryston, also in Yorkshire, which will be completed in 2025/26. In December 2023, SSE Renewables took a final investment decision and started construction of a 150MW/300MWh battery energy storage system project in Warrington, Cheshire, at the site of SSE's former Fiddler's Ferry coal-fired power station. The asset is expected to be operational in summer 2025.

In Ireland, the 30MW Lenalea onshore wind farm in Donegal (SSE share 50%) became fully operational in December 2023. Together with co-development partners FuturEnergy Ireland, the business has entered into a multi-year Corporate Power Purchase Agreement (CPPA) with Microsoft which will see the renewable electricity produced at Lenalea contributing towards Microsoft's goal of powering its data centre operations with 100% renewable energy by 2025. This is the first long-term CPPA which SSE Renewables has entered into for one of its assets. In the country's Midlands, turbine installation at the 29-turbine, 101MW Yellow River wind farm is on track to be completed by Summer 2024, with commercial operations expected in early 2025. It secured a 16.5-year RESS 3 contract for low carbon power for all installed capacity.

Good progress is also being made at the first of SSE's onshore Continental Europe wind projects with Chaintrix (28MW) in France and Jubera (64MW) in Spain under construction and targeting commissioning at the end of 2024 and 2025, respectively.

SSE Renewables key performance indicators

	March 2024	March 2023
SSE Renewables		
Renewables adjusted operating profit – £m	**833.1**	561.8
Renewables reported operating profit – £m	**630.3**	428.1
Renewables adjusted investment & capital expenditure before acquisitions – £m	**1,097.1**	911.5
Generation capacity – MW		
Onshore wind capacity (GB) – MW	**1,285**	1,285
Onshore wind capacity (NI) – MW	**117**	117
Onshore wind capacity (ROI) – MW	**582**	567
Total onshore wind capacity – MW	**1,984**	1,969
Offshore wind capacity (GB) – MW	**1,014**	487
Conventional hydro capacity (GB) – MW	**1,159**	1,159
Pumped storage capacity (GB) – MW	**300**	300
Total renewable generation capacity (inc. pumped storage) – MW	**4,457**	3,915
Contracted capacity	**2,792**	2,792
Generation output – GWh		
Onshore wind output (GB) – GWh	**2,461**	2,770
Onshore wind output (NI) – GWh	**251**	286
Onshore wind output (ROI) – GWh	**1,352**	1,357
Total onshore wind output – GWh	**4,064**	4,413
Offshore wind output (GB) – GWh	**2,477**	1,846
Conventional hydro output (GB) – GWh	**3,071**	3,037
Pumped storage output (GB) – GWh	**315**	301
Total renewable generation (inc. pumped storage) – GWh	**9,927**	9,597
Total renewable generation (also inc. constrained off GB wind) – GWh	**11,158**	10,159

Note 1: Capacity and output based on 100% of wholly owned sites and share of joint ventures
Note 2: Contracted capacity includes sites with a CfD, eligible for ROCs, or contracted under REFIT
Note 3: Onshore GB wind output excludes 530GWh of compensated constrained off generation in 2023/24 and 456GWh in 2022/23; Offshore GB wind output excludes 701GWh of compensated constrained off generation in 2023/24 and 106GWh in 2022/23
Note 4: Biomass capacity of 15MW and output of 78GWh in 2023/24 and 68GWh 2022/23 is excluded, with the associated operating profit or loss reported within SSE Enterprise
Note 5: Offshore capacity increased by 527MW with Seagreen offshore windfarm fully operational in October 2023
Note 6: ROI Onshore capacity increased by 15MW with Lenalea fully operational December 2023

Domestic opportunities

Onshore wind

SSE Renewables has maintained its focus on growing its onshore wind portfolio in home markets. It was the biggest winner in the UK Government's fifth Contracts for Difference (CfD) Allocation Round. Strathy South, Aberarder, and Bhlaraidh Extension onshore wind farm projects in the Scottish Highlands, and the Viking wind farm project secured CfDs for a total of 605MW at a guaranteed strike price of £52.29/MWh, based on 2012 prices but annually indexed for CPI inflation. A final investment decision was announced on Aberarder (50MW) in May 2024, and enabling works on Bhlaraidh Extension (101MW) are scheduled to complete in June 2024 with main construction due to commence in early 2025, subject to a final investment decision.

In addition, SSE Renewables, together with Bord na Móna, announced in March 2024 one of the largest ever joint venture renewable energy deals in the Irish market to accelerate delivery of up to 800MW (SSE share 50%) of new onshore wind generation over the next decade. The joint venture includes three projects already in pre-planning development (c.250MW) as well as a portfolio of 550MW of future prospects.

Offshore wind

Turning to offshore wind, SSE Renewables did not enter offshore bids for AR5 because the process did not meet SSE's investment criteria. However, progress continues to be

made on a number of development opportunities that could deliver significant volumes of offshore wind needed to help the UK achieve energy security targets. Located in the North Sea, in the outer Firth of Forth, Berwick Bank wind farm has the potential to deliver up to 4.1GW of installed capacity, making it one of the largest offshore opportunities in the world. In December 2023, East Lothian Council granted planning permission in principle for the project's onshore transmission infrastructure and grid connection at Branxton. However, the project continues to await consent for the offshore array from the Scottish Government, which is now expected during 2024.

In partnership with Equinor, SSE Renewables is also actively developing a fourth phase of Dogger Bank wind farm, Dogger Bank D (up to 2GW, SSE share 50%). In March 2024, National Grid ESO published the Transitional Centralised Strategic Network Plan (tCSNP2) which included confirmation that Dogger Bank D will connect into Birkhill Wood, a proposed new 400kV substation located in the East Riding of Yorkshire. The tCSNP2 publication also included details of the onshore design requirements for SSE Renewables 3.6GW floating offshore wind project, Ossian, (SSE share 40%) which will be located in Lincolnshire.

In Ireland, the business remains committed to delivering Arklow Bank Wind Park 2 (up to 800MW), despite being unsuccessful in Ireland's first Offshore Renewable Energy Support Scheme (ORESS) auction in May 2023. It will proceed to submit a planning application in Spring 2024 to Ireland's planning board, An Bord Pleanála, and will continue to demonstrate discipline whilst it considers alternative routes to market.

The next ORESS auction (ORESS 2.1) will be for a 900MW site within the South Coast Designated Maritime Area Plan (DMAP) announced in May 2024 and is expected to take place in the first half of 2025. Subsequent auctions, within this and new DMAPs are expected to follow annually to 2030.

Hydro/pumped Storage

In January 2024, the UK Government published a consultation on how it intends to support the deployment of long-duration electricity storage projects, a process with which SSE has actively engaged. Subject to being successful in the administrative allocation of an investable cap and floor mechanism, SSE Renewables hopes to make a final investment decision on Coire Glas (1,300MW) in late 2025 or early 2026, allowing for main construction to commence in the second half of 2026. Construction is expected to last up to seven years, which means the project could be operating in 2032 and fully completed during 2033. Plans are also progressing to convert the existing plant at Sloy power station into pumped storage hydro.

Solar and batteries

SSE Renewables continues to view solar and battery technologies as key net zero enablers. Its ~2GW secured pipeline of projects across the UK and Ireland includes a recently-acquired and fully-consented 100MW/200MWh battery storage project in County Tyrone, Northern Ireland, on which SSE hopes to make a final investment decision in the next 12 months.

Overall, the deliverability of the future prospects pipeline is being assessed in light of the ongoing NGESO Connections Reform proposals.

International opportunities

Continental Europe

SSE Renewables is progressing its Southern European onshore wind development portfolio of ~4.5GW. It is currently expected that over 120MW of projects will aim for a final investment decision in the next 12 months, with a total of 220MW in operation by March 2027. In Northern Europe, the business is progressing a 959MW portfolio of solar photovoltaics ('solar PV') projects in Poland. This early-stage pipeline will be progressed under Developer Services Agreements with local development partners.

SSE Renewables also has other selective offshore wind opportunities in Northern Europe. In the Netherlands, it has bid into the Dutch Government's Ijmuiden Ver zone tender (2 x 2GW), with its joint venture partner APG (acting on behalf of Dutch pension fund ABP), with winning bids expected to be announced in Summer 2024. The business will continue to assess participation in offshore leasing rounds across selected markets in Northern Europe, where they offer attractive returns.

Japan

SSE Renewables is continuing to pursue offshore wind opportunities in Japan through its joint venture SSE Pacifico (80% stake) and its dedicated team in Tokyo where it has both self-developed sites alongside targeted bid partnerships with which to enter auctions.

SSE Renewables project pipeline

Project	Capacity (MW)	SSE Share (MW)
In construction		
Offshore wind	3,600	1,440
Onshore wind	686	686
Solar and battery	650	651
Total in construction – GW		**2.8GW**
Late-stage development		
Offshore wind	500	245
Onshore wind	892	861
Solar and battery	250	250
Pumped storage	1,300	1,300
Total late-stage development – GW		**2.6GW**
Early-stage development		
Offshore wind	9,004	6,592
Onshore wind	3,431	2,782
Solar and battery	1,950	2,009
Total early-stage development – GW		**11.4GW**
Total secured pipeline – GW		**16.8GW**
Other future prospects		
Offshore wind	~8,000	~6,000
Onshore wind	~3,000	~3,000
Solar and battery	~3,000	~2,300
Hydro	~1,800	~900
Total future prospects		**~12GW**

Notes: Table reflects ownership and development status as at 31 March 2024. All capacities are subject to change as projects refined. Onshore includes solar and battery hybridisation. Late-stage is consented in GB and Ireland and grid or land security elsewhere, early-stage has land/seabed rights in GB and Ireland and some security over planning or land elsewhere. Future prospects are named sites where non-exclusive development activity is under way.

SSE Thermal

"Our assets remain integral to the decarbonising energy systems in GB and Ireland, reflecting the value of flexibility to both SSE and society. Our teams are also driving progress on the next generation of low carbon flexible energy generation and storage through technologies like carbon capture, hydrogen and biofuels."

Finlay McCutcheon
Managing Director, SSE Thermal

SSE is continuing to develop options for hydrogen blending technology at Keadby 2 in Lincolnshire

Operational delivery

SSE Thermal's fleet delivered another strong year of performance in GB and Ireland, despite lower spark prices and less volatility compared to 2022/23. Value has been secured by selling output to the market and contracting forward ahead of delivery, using the fleet's inherent flexibility to optimise the value received.

In GB, the impact of unplanned outages, most notably at Keadby 2 and a one-off extended outage at Marchwood, were offset by value captured during pockets of volatility throughout the year. This demonstrates the importance of asset availability in line with system needs, where the ability to efficiently flex output is becoming more valuable. Managing availability responsibly, both within year and taking a view of future system needs, continues to be a priority for SSE Thermal.

Keadby 2 (893MW), which entered commercial operation in March 2023, is Europe's most efficient CCGT, displacing older more carbon intensive plant on the system. A planned outage was successfully delivered across the summer, alongside unplanned outages, both recognising the first-of-a-kind nature of this plant. In October 2023, Keadby 2's 15-year Capacity Market agreement commenced in line with expectations, with all milestones having been met.

In February 2024, the GB four-year ahead Capacity Market auction cleared at a record high clearing price of £65/kW, with all of SSE Thermal's wholly-owned and Joint Venture CCGTs securing agreements. A similar trend was seen in Ireland T-4 auction results, with a record high clearing price for delivery in 2027/28. Great Island (374MW derated) and SSE Thermal's two smaller peaking plant (89MW derated) secured agreements in this auction. Keadby 1 (692 MW) and Medway (673MW) also secured one-year ahead agreements commencing in October 2024, having not taken agreements in the four-year ahead auction. These auction results demonstrate the enduring need for flexible capacity on the GB and Ireland system.

In Ireland, Great Island (464MW) continued to see increased output year-on-year, demonstrating the ongoing need for dispatchable plant in that constrained marked. Tarbert oil-fired power station (620MW) closed at the end of December 2023, in line with requirements under the Industrial Emissions Directive.

SSE Thermal has now secured ISO 55001 certification across its portfolio – an international asset management standard which underlines the approach we take to ensure effective management of plant availability across the lifecycle of our portfolio.

For financial performance commentary please refer to the Group Financial Review.

Construction programme

Final commissioning is continuing at Slough Multifuel (55MW), the energy-from-waste facility which is a 50:50 Joint Venture with Copenhagen Infrastructure Partners. First fire was achieved in March 2024 and the project is on track to enter commercial operations ahead of schedule in summer 2024.

In Ireland, construction is ongoing on a Temporary Emergency Generation unit at our Tarbert site in County Kerry. This is being delivered at the request of Irish authorities, with the 150MW plant to run on distillate oil. The unit is scheduled for delivery in September 2024. Under legislation from the Irish Government, it will cease operations when the temporary electricity emergency has been addressed and no later than March 2028. Until then, it would only be utilised when it is clear that market-sourced generation will not be sufficient to meet system needs and with a maximum duration of 500 hours per year.

SSE Thermal key performance indicators

	March 2024	March 2023
SSE Thermal		
Thermal adjusted operating profit – £m	**736.1**	1,031.9
Thermal reported operating profit – £m	**644.4**	1,089.5
Thermal adjusted investment and capital expenditure, before acquisitions – £m	**99.6**	153.2
Generation capacity – MW		
Gas- and oil-fired generation capacity (GB) – MW	**5,538**	5,538
Gas- and oil-fired generation capacity (ROI) – MW	**672**	1,292
Total thermal generation capacity – MW	**6,210**	6,830
Generation output – GWh		
Gas- and oil-fired output (GB) – GWh	**13,597**	16,781
Gas- and oil-fired output (ROI) – GWh	**1,650**	1,532
Total thermal generation – GWh	**15,247**	18,313

Note 1: Capacity is wholly owned and share of joint ventures, and reflects Transmission Entry Capacity
Note 2: ROI capacity in March 24 reflects closure of Tarbert oil-fired station
Note 3: Output is based on SSE 100% share of wholly owned sites and 100% share of Marchwood PPAs due to the contractual arrangement.
Note 4: Output in GB in year to March 2023 excludes 1,184GWh of pre-commissioning output from Keadby 2 CCGT which commissioned 15 March 2023

SSE Thermal capacity contract awards

The following agreements have been awarded through competitive auctions:

Station	Asset type	Station Capacity	SSE share of contract	Capacity obligation
Medway (GB)	CCGT	735MW	100%	To September 2028
Keadby (GB)	CCGT	755MW	100%	To September 2028
Keadby 2 (GB)	CCGT	893MW	100%	16 years commencing October 2022
Peterhead (GB)	CCGT	1,180MW	100%	To September 2028
Seabank (GB)	CCGT	1,234MW	50%	To September 2028
Marchwood (GB)	CCGT	920MW	100%	To September 2028
Saltend (GB)	CCGT	1,200MW	50%	To September 2028
Indian Queens (GB)	OCGT	140MW	50%	To September 2028
Slough Multifuel (GB)	Energy from Waste	50MW	50%	15 years commencing October 2024
Burghfield (GB)	OCGT	45MW	100%	To September 2028
Chickerell (GB)	OCGT	45MW	100%	To September 2028
Great Island (Ire)	CCGT	464MW	100%	To September 2028
Rhode (Ire)	Gas/oil peaker	104MW	100%	To September 2028
Tawnaghmore (Ire)	Gas/oil peaker	104MW	100%	To September 2028
Tarbert (Ire)	Biofuel	300MW	100%	10 years commencing October 2026
Platin (Ire)	Biofuel	150MW	100%	10 years commencing October 2026
Platin (Ire)	Biofuel	150MW	100%	10 years commencing Oct 2026

Capacity contracts are based on de-rating factors issued by the delivery body for each contract year, therefore will not directly match SSE's published station capacity.
Capacities stated reflect Transmission Entry Capacity
Marchwood (SSE equity share 50%) tolling arrangement means SSE receives 100% of economic benefit from capacity contract
Medway has capacity obligation in 2023/24 and 2026/27 but none in 2025/26.
Keadby 2 16 year obligation comprised of a T-1 and a 15 year contract
The Tarbert oil-fired station previously reported was closed in September 2023.

Growth opportunities

Flexibility, along with renewables and networks, is a core pillar of the future energy system and there is a critical need for new low-carbon flexible power in both GB and Ireland this decade. SSE Thermal continues to progress its low-carbon plans to help meet this urgent requirement while working to decarbonise its CCGT fleet where possible – vital actions for delivering our goal of an 80% reduction in carbon intensity by 2030.

In GB, there is cross-party support on the need for both CCS and hydrogen, underlining the strategic rationale of SSE's growing low-carbon portfolio. To enable these technologies, Government intervention is needed both in terms of relevant policies and in building the shared CO_2 and hydrogen pipeline infrastructure that new assets will connect to and rely on. However, policy progress has been slow.

For CCS, the Government is expected to launch the Track 2 process during 2024/25, which will allow projects within the Scottish Cluster and Viking Cluster the opportunity to connect to shared infrastructure. Progress is also expected on the Track 1 Expansion process, which would support projects within existing Track 1 clusters in the north-east and north-west of England. This could create opportunities for SSE Thermal's CCS projects being developed in a 50/50 collaboration with Equinor – Keadby Carbon Capture Power Station (910MW) in North Lincolnshire and Peterhead Carbon Capture Power Station (900MW) in Aberdeenshire to secure Dispatchable Power Agreements. FEED studies have been completed at Keadby Carbon Capture, which has planning consent in 2022. At Peterhead, FEED studies continue while a planning decision is expected in the current financial year.

Recognising that progress to decarbonise is slower than expected, SSE Thermal has evolved its CCGT strategy to ensure new projects can meet the short-term capacity challenge while driving long-term decarbonisation efforts. In 2024/25, Keadby Hydrogen Power Station will go into planning with the application being 'dual fuel' in nature. This means that the 900MW plant – being developed on a 50/50 basis with Equinor – could either run on hydrogen or natural gas whilst being operational by 2030. While the ambition would be to run on 100% hydrogen from inception, Keadby Hydrogen would have the capability to run on natural gas for an initial period if the necessary hydrogen infrastructure is not fully in place, while also utilising market-leading turbine technology to ensure maximum efficiency.

To minimise the risk of locking-in unabated emissions, SSE has set clear criteria against which it will evaluate whether to enter potential hydrogen-ready CCGT projects into planning. This includes proximity to planned national or regional hydrogen networks, location within an established cluster, grid connection access and compatibility with SSE's Net Zero Transition Plan. SSE will assess whether a project has a clear pathway to full decarbonisation by 2035, within a supportive regulatory framework, before taking any Final Investment Decision.

In addition, development continues on other projects across the hydrogen value chain. A strategic investment has been made to acquire 50% of H2NorthEast, a proposed blue hydrogen production facility in Teesside co-owned with Kellas Midstream. Blue hydrogen production will be essential to scaling up broader hydrogen production efforts and providing volumes required to decarbonise power generation. As part of the East Coast Cluster, H2NorthEast is expected to participate in the Track 1 Expansion process.

SSE Thermal also continues to progress green hydrogen production projects into UK Government's HAR2 allocation round, which aims to provide revenue support to 850MW of green hydrogen production capacity. This includes Aldbrough Hydrogen Pathfinder, which in addition to hydrogen production also includes hydrogen storage and hydrogen power generation. Additionally, SSE is continuing to develop options for hydrogen blending into Keadby 2, with pre-FEED activity under way, and at Saltend Power Station, part of the Triton Power portfolio co-owned by SSE Thermal and Equinor.

In Ireland, the business continues to advance new power stations which would utilise sustainable biofuels (in accordance with EU sustainability standards) and would be capable of converting to hydrogen in the future. A decision is expected from An Bord Pleanála this summer on planning consent for the 300MW Tarbert Next Generation power station. Initial consent is secured on the 170MW Platin power station from Meath County Council, with the decision now referred to An Bord Pleanála and a decision also expected this summer. This will allow final investment decisions to be made this year, with both projects holding 10-year Capacity Market agreements due to commence in the 2026/27 delivery year.

Gas Storage

Gas Storage overview

SSE holds around 40% of the UK's conventional underground gas storage capacity at two sites on the East Yorkshire coast. The Atwick facility, near Hornsea, is wholly-owned by SSE, while the Aldbrough facility is operated as a joint venture with Equinor. These two sites offer flexibility and hedging services to the UK and interconnected gas markets.

As part of the transition to a net zero future, opportunities to convert gas storage facilities to store low-carbon hydrogen, which can be used to decarbonise power generation, industry, heat, transport and other key sectors are being explored.

SSE Gas Storage key performance indicators

	March 2024	March 2023
SSE Gas Storage		
Gas Storage adjusted operating (loss)/profit – £m	**82.8**	212.5
Gas Storage reported operating profit – £m	**(42.2)**	249.2
Gas Storage adjusted investment and capital expenditure – £m	**0.8**	6.3
Gas Storage level at period end – mTh	**40**	126
Gas Storage level at period end – %	**21**	65

Operational Delivery

SSE's Gas Storage assets continue to respond to market needs, optimising assets to help ensure security of gas supply for the UK whilst providing important liquidity to the market. These assets are an important risk management tool to the Group's generation portfolio by offering short-notice flexibility, as a result of their technical ability to cycle quickly, to mitigate exposures from wind speeds and demand variability. Positive spreads between summer and winter, combined with trading optimisation, supported a year of strong performance.

In Aldbrough, after successfully returning to service ahead of winter 2022/23, Caverns 6 and 9 have performed well, providing valuable additional capacity and deliverability to the UK system. And with the equivalent of two caverns being added over the past three years at Atwick, work to optimise maximum and minimum operation pressures also continues. Work is also under way to rewater Aldbrough Cavern 4Z, which has been operating at a reduced level due to cavern instability, with completion of this work expected in 2024.

In April 2023, Gas Storage secured ISO 55001 certification, an international asset management standard, for Atwick and Aldbrough facilities.

For financial performance commentary please refer to the Group Financial Review.

Growth opportunities

In December 2023, an updated view of gas security of supply and demand was published by the UK Government alongside an exploration of the future role that flexible sources of gas supply, including storage, might play in gas security over the medium to long term. This concluded that natural gas will continue to play a role in delivering energy security to 2050, as part of a net zero emissions trajectory, with additional requirements for flexibility. The UK Government intends to issue a call for evidence on gas flexibility, to explore potential roles and policy frameworks. SSE Thermal remains committed to working with UK Government departments and Ofgem to ensure the critical role of UK storage is properly valued, and low-carbon options can be delivered in tandem.

Following the publication of a minded-to position on Hydrogen Storage Business Model support, the UK Government has undertaken further market engagement on allocation of support. The first allocation round is expected to open later in 2024, to support investments in nationally strategic hydrogen storage assets. SSE is developing Aldbrough Hydrogen Storage, a new build hydrogen storage facility, with a view to participating in this allocation round.

Energy Customer Solutions

"Supporting customers still feeling the effects of the energy crisis has remained a priority for the business. Strengthening our digital and system capabilities is also a key focus, enabling SSE to grow and develop our customer offering in green and low carbon energy solutions."

Nikki Flanders
Managing Director, Energy Customer Solutions

SSE Business Energy is helping customers optimise their energy usage

SSE Business Energy key performance indicators

	March 2024	March 2023
SSE Business Energy		
SSE Business Energy adjusted & reported operating profit – £m	**95.8**	15.7
Electricity Sold – GWh	**10,693**	12,108
Gas Sold – mtherms	**168**	200
Aged Debt (60 days past due) – £m	**336**	167
Bad debt expense – £m	**113**	108
Energy customers' accounts – m	**0.38**	0.43

SSE Business Energy

Operational delivery

The current year has seen the business return to a higher level of profitability, reflecting the well-established competitive pricing and hedging controls in the business. However, it still remains a challenging environment for consumers and customer-facing businesses which has led to a customer support fund of £15m being established in the period to support customers including small businesses, voluntary and charitable organisations.

Enabling customers to optimise their energy consumption remains a key focus with the development of data tools and a 26% increase in smart meter installations year on year. The business has also invested considerably to improve customer experience and to meet future needs by upgrading its legacy billing platform and implementing digital technologies.

Connecting customers with SSE Renewables assets continues to grow with additional corporate customers taking CPPA products during the year. SSE Business Energy has also trialled a new flexibility service called EnergiFlex, enabling customers to participate in National Grid's Demand Flexibility Service (DFS) and incentivising businesses to reduce demand during peak hours to help balance the grid.

For additional financial performance commentary please refer to the Group Financial Review.

Growth opportunities

The strength of the BE book and the strong portfolio mix means the business is well positioned to expand its product suite. Under the SSE Energy Solutions brand, the business is delivering solutions to help customers reduce carbon emissions and energy costs across multiple sectors. Our digital capability is rapidly expanding, enabling us to offer increased flexibility and energy optimisation.

SSE Airtricity key performance indicators

	March 2024	March 2023
SSE Airtricity		
Airtricity adjusted operating profit – £m	**95.0**	5.6
Airtricity reported operating profit – £m	**94.5**	5.2
Aged Debt (60 days past due) – £m	**18.3**	11.0
Bad debt expense – £m	**13.7**	7.8
Airtricity Electricity Sold – GWh	**6,400**	5,795
Airtricity Gas Sold – mtherms	**199**	193
All Ireland energy market customers (Ire) – m	**0.75**	0.74

"SSE Airtricity remains focused on continued growth of its energy efficiency and low-carbon solutions offering."

SSE Airtricity

Operational delivery

Maintaining SSE Airtricity's commitment to help its customers remains a key focus for the business with consecutive tariff reductions taking effect in October 2023 and February 2024.

Continuation into 2023/24 of support for financially vulnerable customers was provided under the terms of the €25m customer support fund established in 2022/23. A further €5m all-island Community Fund was announced in May 2024 to support communities on the path to net zero.

SSE Airtricity continued its focus on enabling access to low carbon solutions for its customers including the delivery of 500 home energy upgrades during the year. The business strives to continually improve customer experience, including through the expansion of digital tools such as AI to enhance the offering.

For additional financial performance commentary please refer to the Group Financial Review.

Growth opportunities

SSE Airtricity remains focused on continued growth of its energy efficiency and low-carbon solutions offering with planned expansion into the Northern Ireland's domestic and business markets. Investment in innovations such as demand side management and the further expansion of low-carbon solutions provides additional avenues for growth.

Energy Customer Solutions MD Nikki Flanders spends time with a customer in Dublin

SSE Enterprise

"SSE Enterprise aspires to be the UK and Ireland's leading provider of local energy infrastructure. Our strategic energy partnerships with local authorities will unlock new commercial opportunities for the SSE Group to accelerate the net zero transition and create social value."

Neil Kirkby
Managing Director, SSE Enterprise

SSE Enterprise has a strategic partnership with Greater Manchester Combined Authority

SSEN Enterprise key performance indicators

	March 2024	March 2023
SSEN Enterprise		
SSE Enterprise adjusted operating (loss) – £m	**(25.6)**	(7.0)
SSE Enterprise reported operating (loss) – £m	**(25.6)**	(13.1)
SSE Heat Network Customer Accounts	**12,104**	11,431
Biomass, heat network and other capacity – MW	**26**	26
Biomass, heat network and other output – GWh	**105**	96

Operational delivery

Operational availability across the portfolio of 18 heat networks across Scotland and England has remained strong during the year, with Slough Heat and Power in particular benefiting from additional connections to deliver electric, water and steam services across Slough Trading Estate.

SSE Enterprise has continued to advance its IDNO capabilities, including the development of a 150MVA private network connection trial at Imperial Park, bringing the total capacity at that site to around 400MVA.

Progression of the businesses' EV infrastructure growth strategy continues, with 13 electric charging hubs either completed or built during the period. This includes the upcoming launches of Scotland's most powerful EV charging hub in Myrekirk, Dundee (2.5MVA) and SSE's first EV hub in the Republic of Ireland in Lough Sheever (800kVA).

The smart digital energy solutions business continues to support value creation within SSE, working with the Energy Markets team to optimise the front of meter battery trading activity for the Group. Externally, the business also secured contracts to provide optimisation services for a 500MW battery energy storage system project in Coalburn, Scotland, one of the largest of its kind in Europe.

For additional financial performance commentary please refer to the Group Financial Review.

Growth opportunities

The size and scale of the pipeline of opportunities for SSE Enterprise has continued to increase during the year, as the business looks to develop its whole-system approach to local networks, including behind-the-meter solar, and battery and energy optimisation services.

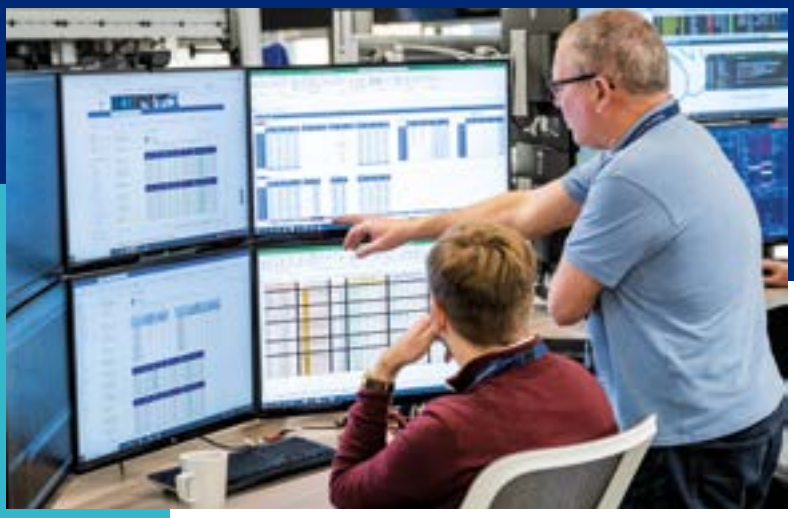
The business has seized a number of opportunities to help local authorities execute local energy projects, signing several strategic energy partnerships with Greater Manchester Combined Authority, West Midlands Combined Authority and Newcastle City Council, with an ambition to go further.

In December 2023, the UK Government published a consultation on proposals for a new regulatory and zoning regime to support investment in heat networks in England. The legislative passage of these proposals would help unlock an ambitious heat project pipeline under development by the business that is pioneering innovation in heat distribution. This includes capturing heat from data centres, deep geothermal, electricity network transformers and energy from waste plants.

SSE Energy Markets

"The Energy Markets business continues its development into a market leading energy trading business. This included taking on the role as optimiser for all of the SSE energy businesses allowing a consolidated view of all market risks and opportunities. In addition, we have added value through third-party contracts and our increased trading in European markets which will also support the Group's international ambitions in the future."

Gordon Bell
Managing Director, SSE Energy Markets



Traders at work in SSE Energy Markets' offices in the heart of Edinburgh

Operational delivery

SSE Energy Markets continues to optimise the flexibility of the Group, maximising benefits from the diverse portfolio while mitigating risk around natural market turbulence. Having successfully optimised energy assets in the short-term, Energy Markets is now also the primary decision maker for longer term trading periods, allowing decisions to be made quickly from one Centre of Excellence.

The value Energy Markets secured for SSE's asset portfolio continues to be reported against individual Business Units.

For additional financial performance commentary please refer to the Group Financial Review.

Growth opportunities

As well as taking on a leading role in optimising SSE's market-based assets, SSE Energy Markets is also expanding the ways in which it independently adds value to the Group.

This includes contracts being secured with Copenhagen Infrastructure Partners and Sheaf Energy Limited to deliver trading and optimisation services for their respective energy storage projects. It also includes an increase in trading in European power and gas markets which will also support the wider group's ambition of international growth.

In addition, Energy Markets continues to develop its data and advanced analytics capabilities setting it up well for future developments in the markets.

SSE Energy Markets key performance indicators

	March 2024	March 2023
SSE Energy Markets		
SSE Energy Markets adjusted operating profit/(loss) – £m	**38.9**	80.4
SSE Energy Markets reported operating profit/(loss) – £m	**590.0**	(2,626.0)

"SSE Energy Markets is expanding the ways in which it independently adds value to the Group."

Risk

Risk informed decision making

"The energy transition and the rapid pace of change mean that our understanding of risks and how we manage them must be dynamic, to ensure we can continue to deliver our strategy and create value for all our stakeholders."

Barry O'Regan
Chief Financial Officer and Chair of Group Risk Committee, SSE plc

21 May 2024

SSE has continued to manage significant societal, environmental, commercial and political factors this year amidst a changing energy landscape. SSE's ambition, strategy and mix of businesses mean it is well placed to meet the challenges associated with net zero, while maximising opportunities.

Critical to this is ensuring robust risk management is in place enabling an approach that can be adapted and flexed to meet the changing nature of the business. At the core of SSE's risk management is a strong risk culture that ensures everyone in the Company is empowered to make considered decisions.

Continued geopolitical unrest, an increased number of named storms and dilution of some of the UK Government's climate change commitments are just a few issues that have influenced SSE's risks exposures in the past 12 months. SSE's Energy Market review on pages 52 and 53 provides more detail on the range of external factors that influenced the risk exposures to the Group over the course of the year.

This year the Group Executive Committee and relevant sub-committees have continued to oversee the Group's Principal Risks, with particular consideration given to those that have high materiality, namely: Cyber Security and Resilience, Portfolio Exposure, Political and Regulatory Change and ongoing reviews of climate-related risks that have the potential to threaten delivery of SSE's strategy.

The increased global demand for renewables has caused a tightening of the supply chains on which SSE relies. This combined with supply chain issues already being felt across the Large Capital Projects Programme, has resulted in a new "Supply Chain" risk being included following the recent assessment of the Group Principal Risks.

While managing the risks associated with its supply chain has always been a priority, and intrinsic to some of the other Principal Risks, securing reliable, sustainable supply chains has emerged as a greater risk for both SSE and the wider energy sector.

More forward looking, geopolitical unrest such as Russia's invasion of Ukraine, war in the Middle East, and the potential outcomes of elections in leading economies, including the UK, are kept under review to understand their potential impacts. While inflation is easing, the cost of living continues to impact energy affordability in the short term, with consideration given to the longer-term implications of the cost associated with the net zero transition.

Internally, the large workforce expansion required to meet net zero targets needs careful consideration to ensure successful onboarding of new employees and critically, maintain SSE's cultural values that are integral to the success of the Group.

In the longer-term, emerging risk themes include the future consequences of geopolitical change, the potential risk and opportunities created by new technologies including AI, market conditions and changes to the regulatory environment.

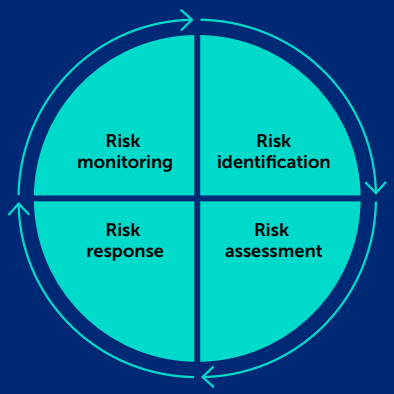
Full details of our Principal Risks can be found on pages 89 to 95.

How SSE manages risk

At the heart of SSE's Risk Management Framework is a strong risk culture enabling everyone in SSE to take accountability and responsibility for managing risk. This overarching framework provides Business Units the ability to manage risk exposures against their individual strategic objectives and operations whilst allowing the Group to maintain a holistic view of the Group risk profile.

The Risk Management Framework forms part of SSE's System of Internal Control (further details can be found on page 151) and sets the foundation for how risks are managed across the Group. SSE's risk management process consists of four stages (as shown below), which support considered decision making.

Risk Management Process



Assessing Principal Risks

The Principal Risk assessment process provides a risk rating based on how likely risks are to occur and what the subsequent impacts would be, considering the effectiveness of controls in place to mitigate should the risk materialise. Ongoing oversight from the Group Executive Committee and its sub committees ensures that risks are regularly assessed with appropriate mitigations implemented where necessary.

The Group Executive Committee and its subcommittees (as detailed on page 114) have responsibility for overseeing the Principal Risks. An annual assessment of each Principal Risk requires committee members and subject matter experts to provide commentary on:

- contextual changes to the risks;
- consideration whether over the course of the year the risks have increased or decreased in materiality; and
- confirm effective mitigations are in place for managing the risks.

The responses are consolidated forming Principal Risk reports, including provisional viability testing and current management information and presented back to each committee for endorsement. The committees confirm the risk trend (more, less or equally material), overall effectiveness of the risk control and monitoring environment, and whether any additional control improvement actions are required.

The outputs from these committee assessments are then presented to the Group Executive Committee for full review, following which, final approval is obtained from the Board. This is an inclusive and iterative process that results in considered and objective outputs and a robust assessment of the Principal Risks.

The outcome of the Principal Risk assessment can be found on pages 89 to 95.

Identifying Emerging risks

Throughout the year, emerging risks are considered on an ongoing basis, in response to changing operating environments or events that have the potential to impact SSE. The Group will assess risks that emerge and take the appropriate action ensuring a dynamic risk profile.

Consideration is also given to emerging risks which have the potential to become a Principal Risk in the medium to long term as part of the Principal Risk assessment process. Any common themes that emerge from stakeholder engagement are defined, assessed and presented for discussion with the Group Risk Committee, agreement at the Group Executive Committee and final ratification at Board.

Evolving Risk Management

As SSE's risk profile changes, there is a need to evolve the Group risk management approach to maintain pace and continue to improve risk maturity. This is critical to ensure that the underlying risk culture continues to provide an environment where everyone feels empowered to take risk, in line with SSE's risk appetite and strategy.

This year, the Group is enhancing the risk management framework and adopting a new technology solution. Both will provide improved awareness and oversight, enabling enhanced holistic risk reporting both across the Group and for each of the individual Business Units.

Looking ahead

In the coming year the Group will review how risk appetite can be more effectively articulated and applied, to provide greater confidence and certainty over authority and decision making.

Additionally, in acknowledgement of the ever-changing nature of the markets in which SSE operates, the Group will look to evolve and strengthen the approach to identify emerging risks. The addition of a formal Group wide, longer term horizon scanning exercise will enable a more forward looking view of risk trends and assessment of potential impact, both positive and negative to SSE's strategy.

Management of risk is key to delivery of SSE's Large Capital Projects

Risk Appetite

The Group risk appetite aligns to the achievement of SSE's strategic objectives. SSE will only accept risk where it is consistent with its core purpose, strategy and values; is well understood; can be effectively managed; is in line with stakeholder expectations and offers commensurate reward.

The key elements of SSE's Strategic Framework – including SSE's Purpose, Strategy, Goals and Values, as well as the focus of its business model, are fully reflective of its risk appetite.

Fundamentally:

- SSE has a clear strategy to create value for shareholders and society in a sustainable way by developing, building, operating, and investing in the electricity infrastructure and businesses needed in the transition to net zero.
- SSE has a good understanding of the risks and opportunities in the Great Britain and Ireland energy markets and a strong associated knowledge of EU and further international markets, augmented by its acquisitions. Expansion into other new international markets is subject to rigorous scrutiny and ensuring the appropriate governance arrangements, consistent with the Group's values and strategic goals, are in place.
- Safety is SSE's first value, and it has no appetite for risks brought on by unsafe actions, nor does it have any appetite for risks brought on by insecure actions including those relating to cyber security. In areas where SSE is exposed to risks for which it has little or no appetite, even though it has implemented high standards of control and mitigation, the nature of these risks mean that they cannot be eliminated completely.

In determining its appetite for specific risks, the Board is guided by three key principles:

1. Risks should be consistent with SSE's core purpose, financial objectives, strategy and values;
2. Risks should only be accepted where relevant approvals have been attained through the Governance Framework to confirm appropriate reward is achievable on the basis of objective evidence and in a manner that is consistent with SSE's purpose, strategy and values; and
3. Risks should be actively controlled and monitored through the appropriate allocation of management and other resources, underpinned by the maintenance of a healthy business culture.

The Board has overall responsibility for determining the nature and extent of the risk it is willing to take to achieve strategic objectives and for ensuring that risks are managed effectively across the Group.

Identifying and assessing climate opportunities and risks

SSE's Group Risk Management Framework is complemented by a specialist TCFD climate assessment that identifies and assesses climate opportunity and risk in the short (to 2030), medium (to 2050) and long term (to 2080). These three climate-related time horizons are chosen to align with the investment, capital and regulatory time horizons that govern SSE's financial, operational and capital plans

The climate risk assessment involves senior business leader interviews supported by ongoing Business Unit risk assessments to capture and understand climate opportunities and risks. A materiality test is completed, and a final list of significant climate opportunities and risks defined.

SSE then identifies the climate impact on its operations over the short and medium term from the perspective of market, policy or regulatory transition opportunities and risks, and over the medium and long term from the perspective of the physical risks of climate change.

Materiality is tested for each climate opportunity or risk based on its ability to have a substantive potential financial impact on SSE's strategy or its significant impact on SSE's stakeholders. In 2023/24, the assessment process reconfirmed that the material climate-related opportunities and risks (outlined on pages 100 to 105 of SSE's Annual Report 2023) remained relevant to SSE.

Managing climate opportunities and risks

SSE's System of Internal Control defines the policy, standards and governance for the management of all risks, including those relating to climate. The system involves the critical controls that are in place to manage risk including climate risk. Controls include business continuity plans, crisis management and incident response, large capital project governance and internal and external assurance.

The climate-related opportunities and risks (pages 100 to 105), combined with SSE's Sustainability Report 2024 and CDP Climate Change response provides further information on these actions and controls.

Integrated climate-related risk assessment

SSE's Group Risk Management Framework (page 151) manages risks that can threaten the achievement of SSE's strategic objectives, including climate change.

Climate change is a Group Principal Risk to SSE and has the ability to affect the achievement of agreed strategic objectives and the long term success of SSE (see page 90). Scenarios related to physical risks associated with climate change form part of SSE's viability assessment (page 109). Climate-related influencing factors and key developments are also considered against all relevant Group Principal Risks.

Group Principal Risks

The nature of the world and operating environment means that SSE's Principal Risks are intrinsically linked. Acknowledging the interconnectivity of the risks validates the need to holistically manage and monitor the Group Risk profile and to ensure the System of Internal Control (page 151) continues to support the delivery of SSE's strategy.

Developments this year

As previously highlighted, the number of Principal Risks has increased to 12 this year, with the inclusion of the newly formed "Supply Chain" risk. A higher global demand for renewable technology, combined with rising commodity prices, has the potential to drive both increased costs and supply chain capacity constraints, leading to project feasibility implications or impacting delivery timescales. Additionally, SSE must ensure the ethics and quality within the supply chain are not compromised. All of these factors have the potential to affect a number of the other Principal Risks.

Cyber Security and Resilience remains unchanged with a high likelihood and impact. Whilst a strong and continuously evolving control environment is in place, protecting SSE from the threat of cyber attack remains a top priority. Evolving the Group's technology practices to mitigate this is essential in continuing to manage this risk.

The Portfolio Exposure risk also remains unchanged with a high likelihood and impact. In comparison to the previous year where high commodity prices resulted in increases to collateral requirements, ultimately gave rise to high returns. This year while price volatility has reduced, ongoing geopolitical unrest, conflicts, upcoming elections and supply chain restrictions mean the potential return of increased volatility still remains.

The actions taken this year around the Principal Risks of Energy Affordability and Climate Change has resulted in a reduction to materiality. Both these risks are closely linked with Political and Regulatory Change. Whilst the potential likelihood of political and regulatory change has increased due to potential outcomes of elections in the coming year, the impact of this risk has reduced. SSE has confidence that the strategy is aligned with the UK government decarbonising ambitions, and this is therefore reflected in the risk ratings.

A minor change has also been made to the definition of Speed of Change Principal Risk acknowledging that change within SSE is now a constant that requires continuous adaptation and resilience to ensure the Group's strategic direction is maintained.

The Principal Risks are mapped below providing insight to the relative impacts and likelihoods of each.

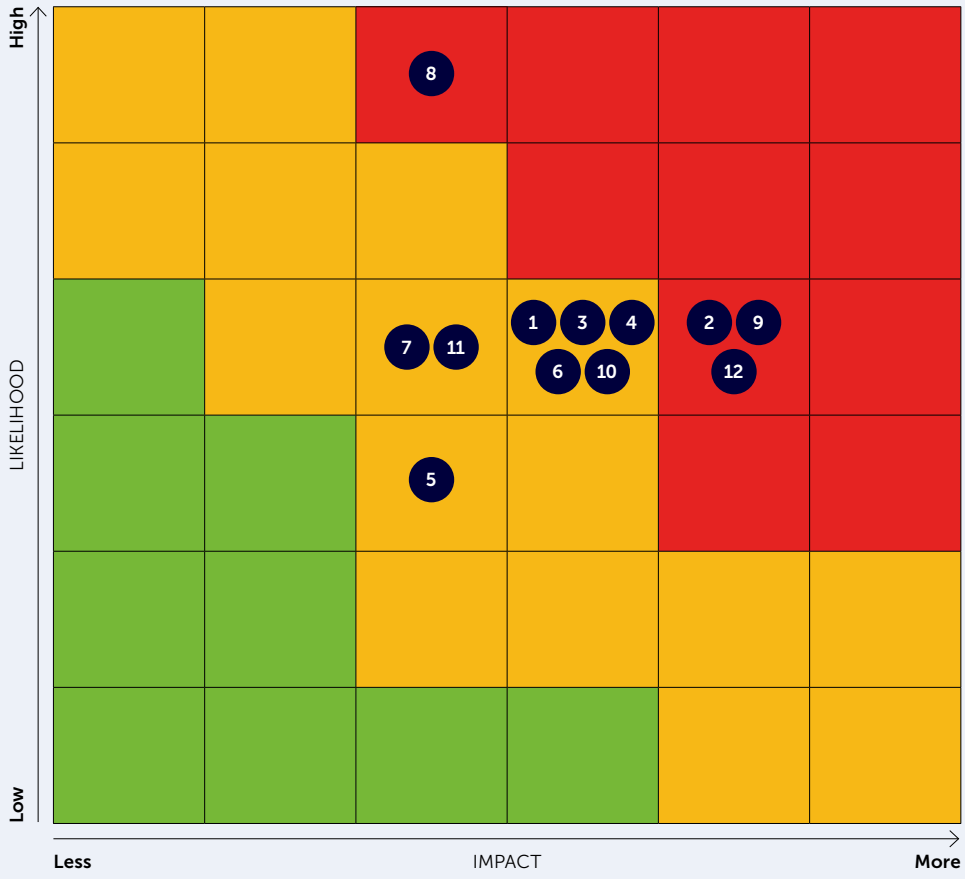
Further detail of SSE's Principal Risks including the material influencing factors, key mitigations and the developments throughout this year that have driven risk scoring can be found on pages 90 to 95.

Principal Risks

1. Climate Change ▼
2. Cyber Security and Resilience ■
3. Energy Affordability ▼
4. Energy Infrastructure Failure ▲
5. Financial Liabilities ▲
6. Large Capital Projects Management ■
7. People & Culture ▲
8. Political and Regulatory Change ▼
9. Portfolio Exposure ■
10. Safety and the Environment ■
11. Speed of Change ▼
12. Supply Chain N

Risk trend key

- ▲ Increased in materiality
- ■ Not changed significantly
- ▼ Reduced in materiality
- N New risk



Risk trend key:

Increased in materiality | Not changed significantly | Reduced in materiality | N New risk

Climate Change

Risk trend

What is the risk?
The risk that SSE's strategy, investments or operations are deemed to have an unacceptable future impact on the natural environment and on national and international targets to tackle climate change.

Link to strategy

Oversight
Group Risk Committee

Material influencing factors
- Adverse weather events causing damage or interrupts energy supply or generation.
- Speed of technological developments.
- Politicisation of climate issues for the UK General Election, coupled with slow incumbent Government policy decision making and implementation.
- Global and domestic policies including those published by the UK's Committee on Climate Change relating to the Sixth Carbon Budget for the period 2033 to 2037.

Key mitigations
- Climate Change Policy and Sustainability Policy.
- Clear commitment to our strategy, driving climate-related performance programmes across the organisation.
- SSE assesses the climate impact on its operations over the short, medium and long term from the perspective of market, policy or regulatory transition risks and opportunities and the physical risks of a changed climate.
- Political and regulatory engagement.
- SSE is investing in decarbonising infrastructure over a five-year period to FY27 as part of its NZAP Plus.
- SSE's Net Zero Transition Plan sets out the key actions SSE will take to drive progress towards its long term net zero ambitions.
- SSE provides transparent disclosures of its governance around climate-related risks and opportunities.
- SSE's approach to executive remuneration reflects the role of sustainability and climate-related considerations within SSE's purpose and strategy, with sustainability-linked metrics and targets an element of performance related pay. See page 158.

Developments this year
- Over the year controls across adaptation planning and reporting, sustainability assessment criteria within Large Capital Projects programs, and sustainable procurement processes have been strengthened. These improvements have subsequently driven a reduction in the potential impact of this Principal Risk to the Group.
- NZAP Plus investment plan for five years to 2026/27 upgraded to £20.5bn (from £18bn) based on increasing visibility over Transmission spend and associated supply chain costs.
- Continued lobbying for a supportive environment encouraging investment in low carbon generation.
- 2023/24 was SSE's lowest scope 1 green house gas emissions.
- Further detail of our climate opportunity and risk management can be found on pages 100 to 105.

Cyber Security and Resilience

Risk trend

What is the risk?
The risk that key infrastructure, networks or core systems are compromised or are otherwise rendered unavailable.

Link to strategy

Oversight
Group Risk Committee

Material influencing factors
- Software or hardware issues, including telecoms networks, connectivity and power supply interruption.
- Heightened threat of cyber-attacks due to geopolitical events.
- Increased sophistication and likelihood of ransomware attacks.
- International expansion.
- Ineffective operational performance, for example, breach of information security rules or poor management of resilience expertise.
- Employee and contractor understanding and awareness of information security requirements.
- Malicious cyber attack.
- Increase in third party suppliers and joint venture heightening our risk

Key mitigations
- Cyber Security Policy and Data and Information Management Policy.
- Key technology and infrastructure risks are incorporated into the design of systems.
- Regular internal and third-party testing of the security of information and operational technology networks and systems.
- Continued strengthening and embedding of the cyber risks and controls framework to continue to identify threats and reduce exposures.
- Service level agreements for business-critical IT services in place.
- Business continuity plans are reviewed in response to changes in the threat to the Group and regularly tested.

Developments this year
- Geopolitical unrest resulting in continued heightened threat level.
- Significant longer-term Security Programme investment to strengthen the resilience of SSE systems.
- Thorough review of Business continuity and Disaster Recovery plans.
- Implementation of Network Information Systems (NIS) Directive for our regulated businesses.
- Continued focus to modernise the IT estate.

Link to strategy:

Develop | Operate | Build | Invest

Energy Affordability

Risk trend

What is the risk?
The risk that energy customers' ability to meet the costs of providing energy, or their ability to access energy services is limited, giving rise to negative political or regulatory intervention that has an impact on SSE's regulated networks and energy businesses.

Link to strategy

Oversight
Group Executive Committee

Material influencing factors
- Technology changes and innovations to develop sustainable infrastructure and energy solutions.
- Supply chain cost management.
- Public policies, including those aimed at reducing carbon emissions and energy consumption.
- Accessibility to energy and related services for all.
- Increased focus on energy security in response to current geopolitical events.
- Required investment in the upgrading of the UK's energy infrastructure to achieve net zero.
- Fluctuations in the cost of fuels.
- Supplier and customer failures and related bad debt.

Key mitigations
- SSE Sustainability Policy.
- Robust stakeholder engagement across government, regulators, customers and relevant counterparties.
- Adopting and implementing government support mechanisms across multiple jurisdictions.
- Affordability schemes to support financially vulnerable customers.
- Long-term price forecasting.

Developments this year
- Energy prices, whilst historically high, have seen a reduction in consumer prices this year.
- Continuing to advocate for progressive policies will help bring forward necessary investment in low-carbon infrastructure at lowest cost to reduce customers' exposure to energy price volatility and deliver net zero affordability.
- SSE Airtricity introduced two consecutive domestic tariff reductions in Ireland and regulated tariff reductions have been introduced in Northern Ireland.
- SSE Business Energy established a £15m targeted support fund for business customers in Great Britain.
- SSEN Distribution refreshed its Consumer Vulnerability Strategy in March 2024.

Energy Infrastructure Failure

Risk trend

What is the risk?
The risk of national energy infrastructure failure, whether in respect of assets owned by SSE or those owned by others which SSE relies on, that prevents the Group from meeting its obligations.

Link to strategy

Oversight
Group Executive Committee

Material influencing factors
- Longer-term changes in climate patterns cause sustained higher temperatures that may result in lower rainfall and reduced wind impacting renewable generation output.
- Government policy regarding the operation of the energy network relating to security of supply.
- Failures in any aspect of the Great Britain national critical infrastructure.
- Appropriate asset management and necessary upgrading works of both generation and network assets.
- Energy network balancing mechanisms to balance supply and demand on Great Britain network.
- Malicious attack on energy infrastructure.
- Continued availability of technical skillset and competency.

Key mitigations
- Recruitment strategies to attract technical skillset and experience to operate, maintain & build assets.
- Business Unit Asset Management Policies.
- Dedicated Engineering Centres of Excellence review and develop plans to ensure the ongoing integrity of its generation assets.
- Targeted investment plans to ensure the ongoing health and integrity of network assets.
- Crisis management and business continuity plans are tested regularly and are designed for the management of, and recovery from, significant energy infrastructure failure events.
- Active participant in national security forums such as the Centre for the Protection of National Infrastructure (CPNI).
- SSE plans to deliver flexible new low-carbon capacity, to play a critical role to back up wind and solar generation, ensuring security of supply across the UK.

Developments this year
- Elevating geopolitical unrest potentially leading to global security threats, cyber threats and supply chain challenges.
- SSEN Distribution responded to six named storms to restore customers' electricity supplies as safely and quickly as possible.
- Regulatory and political consensus around the importance and benefit of more strategic investment to ensure capacity and resilience in the energy system.

Risk trend key:

Increased in materiality | Not changed significantly | Reduced in materiality | N New risk

Financial Liabilities

Risk trend

What is the risk?
The risk that funding is not available to meet SSE's financial liabilities, including those relating to its defined benefit pension schemes, as these fall due under both normal and stressed conditions without incurring unacceptable costs or risking damage to its reputation.

Link to strategy

Oversight
Group Risk Committee

Material influencing factors
- Ongoing commitment to an investment grade credit rating.
- Global macroeconomic changes and subsequent volatility in foreign exchange markets.
- Fluctuations in interest rates and inflation which influence borrowing costs.
- Defined benefit pension scheme performance including the impact of fluctuations in gilt yields on the value of scheme liabilities.
- Counterparty credit limit exposures.
- Operational and trading collateral requirements.

Key mitigations
- SSE Financial Management Policy.
- Committed borrowings and facilities are always available equal to at least 105% of forecast borrowings over a rolling six-month period.
- Detailed and continuous financial modelling and forecasting on a Group and Business Unit basis.
- SSE seeks to maintain a diverse and innovative portfolio of debt to avoid over-reliance on any one market.
- Each of SSE's defined benefit pension schemes has a Board of Trustees which acts independently of the Group.
- The approval of all material counterparty credit limits is a matter reserved for the Board.
- The Collateral Committee meet weekly to monitor ongoing collateral requirements.
- SSE has a proven ability to maintain access to capital markets during stressed economic conditions.

Developments this year
- Ongoing impact of high UK interest rates and higher than usual cash collateral requirements for trading have resulted in a marginal increase in this risk.
- Capital markets have shown strong demand for SSE Bonds and good liquidity.
- Short- and longer-term funding supported by existing facilities and forecasts.
- SSE issued a €750m eight-year Green Bond in August 2023, earmarked for flagship onshore and offshore wind projects which have recently been completed or are under construction.
- SSE issued a £500m 20-year Green Bond in January 2024, to finance and/or refinance critical national transmission infrastructure projects.
- SSEN Transmission and SSEN Distribution both signed their first sustainability-linked Revolving Credit Facilities (RCFs).

Large Capital Projects Management

Risk trend

What is the risk?
The risk that SSE develops and builds major assets that do not realise intended benefits or meet the quality standards required to support economic lives of typically 25 to 60 years within forecast timescales and budgets.

Link to strategy

Oversight
Large Capital Projects Committee

Material influencing factors
- Appropriate contractual arrangements which meet the requirements of any jurisdiction in which SSE operates.
- New or unproven technology.
- Appropriate and effective budget management.
- Supply chain impacts associated with new entities, new assets and a new network structure created by joint ventures and Brexit.
- Availability and capacity of competent contractors in any jurisdiction in which SSE operates.

Key mitigations
- Large Capital Projects Governance Framework manual ensures all major capital investment projects are governed, developed, approved and executed in a consistent and effective manner.
- Dedicated Large Capital Project quality and assurance teams perform in-depth quality reviews.
- Ongoing interaction with key suppliers through SSE's Supplier Relationship Management Programme.
- SSE generally manages insurance placement by organising owner-controlled insurance for major projects, allowing greater control and flexibility over the provisions in place.
- Appropriate governance arrangements, including those relating to Join Venture and Partner Management

Developments this year
- The impacts to our Large Capital Projects associated with supply chain management are now captured within the new "Supply Chain" Principal Risk.
- Continued high pace of required growth through a large number of ongoing projects.
- Development of bespoke governance and assurance controls for international project development.

Link to strategy:

Develop | Operate | Build | Invest

People & Culture

Risk trend

What is the risk?
The risk that SSE is unable to attract, develop and retain an appropriately skilled, diverse and responsible workforce and leadership team, and maintain a healthy business culture which encourages and supports ethical behaviours and decision making.

Link to strategy

Oversight
Group Executive Committee

Material influencing factors
- Rewarding employee contributions through fair pay and benefits.
- Acquisition of competent skills and resources to support growth plans in international markets.
- SSE embraces cultural diversity in the workplace and recognition of the value and benefit of having an inclusive and diverse workforce.
- A responsible employer ethos. For full details please see the Sustainability Report.
- Clearly defined roles, responsibilities and accountabilities.
- Availability of career development opportunities and appropriate succession planning.
- Clear personal objectives and communication of the SSE set of values.
- A focus on ethical business conduct and creating a culture in which employees feel confident to speak up when they suspect wrongdoing.
- The health and wellbeing of all employees see the Sustainability Report for further detail.
- Clear and well-structured employee engagement and communications.
- High demand for recruitment may cause culture dilution.

Key mitigations
- SSE Employment Policy and SSE Whistleblowing Policy.
- Inclusion and Diversity plan, further details are available on pages 44 and 45.
- SSE Governance arrangements, including those relating to JV and Partner Management.
- Employee support for mental health and wellbeing, including those provided as part of the Employee Assistance Programme. Further details on careers.sse.com/employee-benefits.
- 'Doing the Right Thing, a guide to ethical business conduct', explicitly outlines steps employees should take to ensure their day-to-day actions and decisions are consistent both with SSE's values and ethical business principles.
- Incidents of wrongdoing can be reported through both internal and external mechanisms, including an independent 'Speak Up' phone line and email service.
- SSE's business leaders undertake regular succession planning reviews. At a Group level, SSE continues to develop its approach to the management of talent.
- Introduction of Performance Edge, an evolved approach to leading and managing performance.
- SSE invested a total of £32.0 m in learning and development and pipeline programmes.

Developments this year
- While the developments this year are positive, the increase in risk trend reflects the need to ensure culture is protected and maintained while large numbers of employees are joining the organisation.
- SSE saw a 14% increase in headcount at 31 March 2024 compared to the previous year. SSE continued with its commitment to create at least 1,000 jobs every year until 2025 and filled a total of 4,381 positions across internal and external recruitment.
- SSE's employee retention rate improved slightly to 91.3%.
- Positive GPTW Employee engagement (see page 40).
- Review of SSE's six core values resulting in new simpler descriptions to better reflect its ethical ways of working.
- SSE announced an enhanced approach to its Personal Contract Pay for employees in the UK and Ireland.

Political and Regulatory Change

Risk trend

What is the risk?
The risk associated with operating in a fast-paced, highly regulated environment which is subject to constantly changing political, regulatory and legislative expectations and interventions.

Link to strategy

Oversight
Group Executive Committee

Material influencing factors
- SSE aligns with the Paris Agreement goal and aim to achieve net zero greenhouse gas emissions by at least 2050.
- Material changes to regulatory frameworks in any jurisdiction in which SSE operates.
- Government intervention into the structure of the energy sector in any jurisdiction in which SSE operates.
- Constitutional uncertainty in any jurisdiction in which SSE operates.
- Changes in financial, employment, safety and consumer legislation and/or regulation and the impact of these changes on business-as-usual activities in any jurisdiction in which SSE operates.

Key mitigations
- SSE Political and Regulatory Engagement Policy.
- Dedicated Corporate Affairs, Regulation, Legal and Compliance departments provide advice, guidance and assurance to each business area regarding the interpretation of political, regulatory and legislative change. These teams take the lead in engagement with regulators, politicians, officials, and other such stakeholders. Full details of SSE's Stakeholder Engagement can be found on page 14.
- SSE Governance arrangements, including those relating to JV and Partner Management.
- Dedicated project teams to manage all aspects of significant regulatory and legislative change.
- Regular engagement with the Board and Group Executive Committee on political and regulatory developments which may impact SSE's operations or strategy.

Developments this year
- While the likelihood of political and regulatory change occurring has increased due to uncertainty associated with potential outcomes of elections in the coming year, there is confidence that SSE's strategy is aligned with support for net zero shown by all political parties, therefore the impact of this risk has reduced, accounting for an overall reduction in risk trend.
- SSE has strong engagement with government and regulators resulting in strong support for net zero from all political parties.

Risk trend key:

Increased in materiality | Not changed significantly | Reduced in materiality | N New risk

Portfolio Exposure

Risk trend

What is the risk?
The risk to the Group's portfolio value associated with fluctuations in both the price and physical volume of key energy market indices or drivers – primarily gas, carbon and electricity – as well as foreign exchange values, CO_2 permits and oil.

Link to strategy

Oversight
Group Risk Committee

Material influencing factors
- Global geopolitical events.
- Fluctuations in demand, supply and generation capacity and availability both in Great Britain and globally.
- Generation technology advancements.
- Government intervention into the structure of the energy sector in any jurisdiction in which SSE operates.
- International and national agreements on climate change.
- International flows of fuel.
- Stability and availability of supply chains.

Key mitigations
- Asset-by-asset approach to hedging strategy ensuring trading positions cannot have a material impact on SSE Group earnings.
- The Group Energy Markets Exposure Risk Committee has operational oversight of commodity positions; reporting to the Board Energy Markets Risk Committee that monitors the ongoing effectiveness of Group hedging arrangements. For further details please see pages 152 to 153.
- SSE uses VaR and PaR measures to monitor and control exposures. Trading limits are reviewed regularly by the Energy Markets Risk Committee, before being approved by the Board.
- SSE's Energy Economics team provides commodity price forecasts which are used to inform decisions on trading strategy and asset investment.
- SSE utilises hedging instruments to minimise exposure to fluctuations in foreign exchange markets, details of which are available in the Financial Statements section of the Annual Report and Accounts.
- Energy Markets can maximise and mitigate risks across the Group through leveraging the portfolio of Business Units.

Developments this year
- Counterparty risk exposure have reduced but remain high.
- This year while price volatility has reduced, ongoing geopolitical unrest, conflicts, upcoming elections and supply chain restrictions mean the potential return of increased volatility still remains.

Safety and the Environment

Risk trend

What is the risk?
The risk of harm to people, property or the environment from SSE's operations.

Link to strategy

Oversight
Safety, Health & Environment Committee

Material influencing factors
- Safety culture and SSE's commitment to getting everyone home safe.
- Clear and appropriately communicated safety processes.
- Regular and documented training.
- The size, scale, complexity and number of projects under way.
- Adverse weather.
- Challenging geographic locations.
- Appropriate task and asset risk assessment.
- Clear, effective and regular communications of all relevant safety updates.
- Competent employees and contractors.

Key mitigations
- SSE Safety and Health Policy and SSE Environment Policy.
- Safety is the Group's number one value with Board oversight being provided by the Safety, Sustainability, Health and Environment Advisory Committee (SSHEAC).
- SSE has a central Contractor Safety Team supported by dedicated Contractor SHE Managers and Assurance Auditors to improve contractor safety performance. For full details please see the Sustainability Report.
- Crisis management and business continuity plans are in place across the Group. These are tested regularly and are designed for the management of, and recovery from, significant safety and environmental events.
- Each business carries out regular SHE assurance reviews of the risks faced, the controls in place and the monitoring that is undertaken.
- SSE's dedicated Engineering Centres of excellence review and develop plans to ensure that the integrity of its generation assets is maintained.
- SSE Net Zero Transition Plan sets out the key actions SSE will take to drive progress towards its long term net zero ambitions.

Developments this year
- Total Recordable Injury Rate (TRIR) among direct employees of 0.07 matching the Company's best performance year.
- Slight increase in Total Recordable Injury Rate to 0.20 for direct employees and contract partners reflecting a significant surge in investment and construction activity, and the associated rise in contract partner hours worked.
- SSE has been rolling out an immersive training experience, to help colleagues and partners gain a deeper level of emotional connection when something goes wrong. The programme also includes building SSE's own centre, the Faskally Safety Leadership Training Centre in Scotland.
- SSE has partnered with the Lighthouse Construction Industry Charity (LCIC), a charity solely dedicated to the emotional, physical and financial wellbeing of construction workers and their families. Support includes a 24/7 Construction Industry Helpline offering a range of free and confidential wellbeing support services.

Link to strategy:

Develop | Operate | Build | Invest

Speed of Change

Risk trend

▼

What is the risk?
The risk that SSE is unable to keep pace with or adequately manage the impacts of the speed of change affecting the sector and markets in which it operates. In doing so, it fails to meet the evolving expectations of its stakeholders or achieve its strategic objectives.

Link to strategy

Oversight
Group Executive Committee

Material influencing factors
- Geopolitical events.
- Fast developing customer needs and expectations in relation to efficient, innovative and flexible products and services.
- Technological developments and innovation, including AI.
- Net-zero strategic goals.
- Increased competition from market entrants including international oil companies.
- Longer-term capital investment plans and budgets.
- The size, scale and number of change programmes under way, including those relating to regulatory or legislative requirements in any jurisdiction in which SSE operates.
- Governance and decision-making frameworks, including those relating to JV and Partner Management.

Key mitigations
- SSE Operating Model Policy.
- The Board sets the risk appetite of the Group and approves and regularly reviews the Group's commercial strategy, business development initiatives and long-term options ensuring alignment of risk appetite and strategic objectives.
- SSE's Group operating model has been designed to ensure dynamic and efficient decision-making, empowered and accountable delivery of Business Unit strategies and to fulfil SSE's purpose to provide energy needed today while building a better world of energy for tomorrow. Details of SSE's decision making context are available on page 135 of the Directors' Report.
- The Group Executive Committee is responsible for ensuring that Business Unit strategies are consistent and compatible with the overarching Group strategy and its vision to be a leading energy provider in a net zero world.

Developments this year
- A minor change has been made to the definition of Speed of Change Principal Risk acknowledging that change within SSE is now a constant that requires continuous adaptation and resilience to ensure strategic direction is maintained.
- Establishment of an internal cross-Group Innovation Advisory Council to identify promising new technologies relevant to clean energy and acts as a forum for SSE's Business Units to share knowledge.

Supply Chain

Risk trend

N

What is the risk?
The risk that SSE is unable to secure a viable, competent and sustainable supply chain to meet the growth required to deliver the strategy and NZAP Programme Plus.

Link to strategy

Oversight
Group Risk Committee

Material influencing factors
- High global demand renewable and low carbon technology.
- Fluctuations in the cost of resources.
- Ensuring sustainable and ethical supply chains.
- Scarcity of critical raw materials.
- Identifying viable supply chains to meet development pipeline.
- Global financial markets impacting availability of capital and in-turn OEM & contractor liquidity.
- Shipping constraints restricting the movement of goods.
- Geopolitical factors requiring SSE to seek alternative suppliers from another jurisdiction.
- Shortage of skilled labour; availability and capacity of competent contractors in any jurisdiction in which SSE operates.

Key mitigations
- Group Procurement Policy.
- Supply chain partnering.
- Strategic supplier relationship management tailored for each Business Unit.
- Third party due diligence.
- Robust commercial terms in place.
- Category management surveillance of markets and environments to anticipate and develop proactive response to constraints e.g. pull-through demand, increase stocks, take greater control of shipping terms.
- Procurement and Commercial teams ensure effective demand management via dedicated business partners.

Developments this year
- Higher global demand for renewable technology, combined with rising commodity prices, has the potential to drive both increased costs and supply chain capacity constraints, leading to project feasibility implications or impacting delivery timescales.
- SSE published its Sustainable Procurement Plan detailing the ambition to pioneer sustainable and responsible procurement practices.
- Publication of SSE's Human Rights and Modern Slavery Statement setting out steps taken to identify and prevent human rights abuses and modern slavery existing within its business and supply chains.

Disclosure statements

TCFD disclosure statement

SSE's climate-related financial disclosures

This statement, along with the relevant disclosures throughout the Annual Report, summarise how SSE fulfils its requirements under relevant mandatory climate-related financial disclosures. SSE's business strategy is wholly focused on addressing the challenge of climate change through the decarbonisation of the power system. The consideration of climate-related opportunities and risks is, therefore, naturally embedded into its policies and practices. Considering this, SSE has integrated its climate-related disclosures throughout this Annual Report to give stakeholders a holistic understanding of how climate-related impacts are managed.

Mandated climate-related financial disclosure in the UK

SSE is compliant with the Financial Conduct Authority (FCA) listing rule LR 9.8.6 R(8) requiring organisations to report against the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, recommended disclosures and the Annex and guidance (published 2021) in annual reports.

These disclosures also satisfy UK Mandatory Climate-related Financial Disclosure requirements under the Companies Act 2006 sections 414CA and 414CB.

Climate change has been considered in the preparation of the Group's Consolidated Financial Statements for the year ended 31 March 2024 on pages 199 to 309 and further information has been included in note 4.1(v) to the financial statements on pages 210 to 211.

Navigating SSE's climate-related disclosures

	TCFD recommended disclosures	SSE's summary position	More information can be found:
Governance	a) Describe the Board's oversight of climate-related risks and opportunities.	Responding to the challenge of climate change is central to SSE's strategy, and as a result, the SSE Board considers climate change as it establishes SSE's purpose, vision and strategy.	**Governance** – Governance of climate-related matters page 115 – More on climate-related work in the year page 115 **Remuneration Committee Report** – Strategically aligned remuneration on page 160
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	There are clearly defined climate-related responsibilities assigned to SSE committees and key positions, including the Chief Executive and Chief Sustainability Officer.	**Governance** – Governance of climate-related matters page 115 – More on climate-related work in the year page 115 **Sustainability** – Ensuring accountability for sustainability page 26
Strategy	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Opportunities relate to the role that SSE Renewables, SSEN Transmission, SSEN Distribution and SSE Thermal play in supporting the transition to net zero. Material risks are associated with the physical impacts of extreme or changing weather conditions on renewable and network operations, alongside transition risks related to renewable wholesale prices and resilience of thermal power generators to changing policy.	**TCFD disclosure statement** – Assessing SSE's climate-related opportunities and risks pages 100 to 101 – Detailed opportunity and risk tables pages 102 to 105
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	SSE's net zero ambitions place climate action front and centre of its strategy. SSE's climate-related risks and opportunities are directly linked to its 2030 business goals and capital plans.	**Strategic report** – SSE's strategy, climate actions and capital plans pages 12 to 13 – Performance against 2030 goals page 25 – Our strategy pages 12 to 13 – SSE's taxonomy eligible activities page 107 **TCFD disclosure statement** – Assessing SSE's climate-related opportunities and risks pages 100 to 101 – Detailed opportunity and risk tables pages 102 to 105 **Financial Review** – Note 4.1(v) Impact of climate change and the transition to net zero, pages 210 to 211

	TCFD recommended disclosures	SSE's summary position	More information can be found:
Strategy continued	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Scenario analysis has assessed the resilience of SSE, its strategy and financial plans under a range of climate-related scenarios, including a 1.5°C, 2.5°C and 4°C temperature pathway.	**TCFD disclosure statement** – Scenario analysis page 101 – SSE's opportunities and risks pages 102 to 105 **Disclosure statement** – Viability statement page 109
Risk management	a) Describe the organisation's processes for identifying and assessing climate-related risks.	To identify and assess climate-related opportunities and risks, SSE conducts a specialist TCFD climate assessment that complements its Group Risk Management Framework.	**Risk** – Identifying and assessing climate opportunities and risks page 88 **Governance** – Audit Committee, Group Risk Committee, TCFD Steering Group and TCFD Working Group page 115 **TCFD disclosure statement** – Assessing SSE's climate-related opportunities and risks pages 100 to 101
	b) Describe the organisation's processes for managing climate-related risks.	SSE's System of Internal Control defines the policy, standards and governance for the management of all risks, including those relating to climate.	**Risk** – Managing climate opportunities and risks page 88 **TCFD disclosure statement** – Detailed opportunity and risk tables pages 102 to 105 **Governance** – Governance of climate-related matters page 115
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Climate change is a Group Principal Risk to SSE. Scenarios on physical climate risks form part of SSE's viability statement and climate-related influencing factors are considered across all relevant Group Principal Risks.	**Risk** – Integrated climate related risk assessment page 88 **Disclosure statement** – Viability statement page 109 **Governance** – Governance of climate-related matters page 115
Metrics and targets	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	SSE uses its 2030 Business Goals, Net Zero Transition Plan, science-based carbon targets, and other metrics to measure and manage climate-related opportunities and risks.	**Strategic report** – Performance against 2030 goals page 25 **Sustainability** – SSE's Net Zero Transition Plan pathway page 28 – Measuring SSE's carbon performance pages 31 to 32 – Managing water use page 48 – Managing air emissions page 49 – SSE's energy consumption page 49 – Carbon pricing page 30 **Remuneration Committee Report** – PSP the measures for the 2024 pay award on page 169 to 170
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	SSE measures and discloses year-on-year carbon performance and progress against targets.	**Sustainability** – Measuring SSE's carbon performance pages 31 to 32 **Disclosure statement** – SSE's carbon performance disclosures page 106
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	SSE has long-term net zero ambitions which are supported by interim science-based targets on a 1.5°C pathway.	**Strategic report** – Performance against 2030 goals page 25 **Sustainability review** – SSE's performance against its science-based carbon targets page 31

Useful information

– Further information is presented in SSE's Net Zero Transition Plan, SSE's Net Zero Transition Report and SSE's Sustainability Report and can be found at sse.com/sustainability.
– For information on SSE's GHG emissions data and how it is produced, see SSE's GHG and Environmental Reporting Criteria 2024 at sse.com/sustainability.
– Information on SSE's CDP submission can be found at sse.com/sustainability.

Assessing SSE's climate-related opportunities and risks

SSE has a well-established approach to the identification of material climate-related opportunities and risks, which is informed by climate-scenario analysis. The results of this exercise are provided in the detailed opportunities and risks table on pages 102 to 105.

SSE's approach to climate scenario analysis

SSE undertakes an exercise to identify the material climate-related opportunities and risks every two years, or sooner if a material business change occurs, with the next due in the year to 31 March 2025.

Each year, SSE reviews the scenario analysis process, incorporating updates from external scenario providers and relevant economic and political factors affecting the Group's operations. SSE currently assesses different scenarios with temperature outcomes of 1.5°C, 2.5°C and 4°C over time horizons to 2030, 2050 and 2080.

The financial impact change from the prior period provides an indication of the potential change in scenario analysis outcomes from the prior year's assessment, allowing SSE to assess and manage potential changes in risk exposures as part of the integrated Group Risk Management Framework and to provide strategic insights into potential changes in climate-related opportunities.

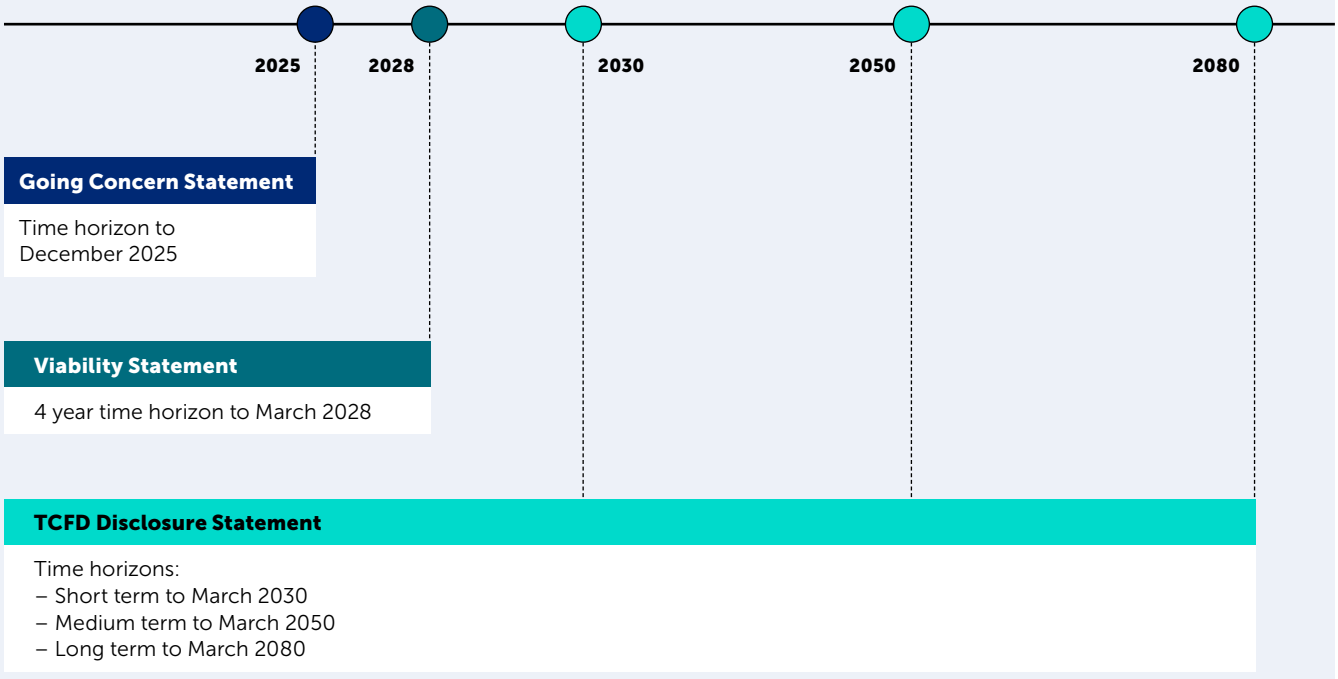
Time horizons for scenario analysis

SSE's time horizons for assessing climate-related opportunities and risks are aligned with its business practice time horizons. The three climate-related time horizons are chosen to align with the investment, capital and regulatory time horizons that govern SSE's financial, operational and capital plans. Figure 1 sets out the relationship between TCFD time horizons and SSE's Going Concern Statement and Viability Statement time horizons. SSE periodically reviews the appropriateness of these time horizons.

Assessing financial impacts of climate-related opportunities and risks

Climate-related opportunities and risks continue to be assessed relative to an operating profit measure, expressed as earnings before interest and tax (EBIT), with the exception of the accelerated gas closure risk which remains on a projected net present value basis. The scenario analysis used the financial quantification pathways along with internal and external data sources to quantify each of the material opportunities and risks under the different scenarios. Additional sensitivity analysis is also used to provide further insights into the impact of climate-related risks and opportunities on the Group's business operations.

Figure 1: SSE's Going Concern Statement, Viability Statement and TCFD time horizons



SSE's approach to scenario analysis

Material opportunities and risks
Identified through TCFD assessment prioritisation process

Impact pathways
Developed for each opportunity and risk, considering the business and financial impacts of possible climate-related events

Financial quantification pathways
Developed for each opportunity and risk, with identification of data points and external scenarios

Scenario selection
Relevant scenarios selected for each opportunity and risk, considering temperature outcomes, time horizons and other factors

Quantification
Using internal data and publicly available data from TCFD recommended providers

Assessment
Quantification output assessed, considering resilience of business model and strategy to the opportunities and risks across the time horizons and warming scenarios

Table 1: External models and scenarios used in SSE's climate scenario analysis 2023/24

Warming scenario	Transition scenarios	Physical scenarios
1.5°C	– International Energy Agency (IEA) World Energy Outlook 2023 Net Zero Emissions (NZE) by 2050 – National Grid 2023 Future Energy Scenarios (FES) Leading the Way & Consumer Transformation	– International Panel on Climate Change (IPCC) Representative Concentration Pathway – RCP 2.6 – UK Met Office Climate projections (UKCP18) tool
2.5°C	– IEA World Energy Outlook 2023 Stated Policies (STEPS) – National Grid 2023 FES Falling Short	
4°C		– IPCC Representative Concentration Pathway – RCP 8.5 – UK Met Office Climate projections (UKCP18) tool

Scenario selection and assumptions
Climate scenarios help assess how the impact of the opportunities and risks identified may change in different warming scenarios, however they are scenarios and not forecasts. The scenario analysis SSE performs extends beyond normal business forecasting cycles and beyond the operating life of the majority of the Group's assets.

External scenario datasets for each material opportunity and risk remain consistent with the prior year and were selected in relation to the relevant characteristics of each risk or opportunity.

SSE uses external scenarios from the IEA World Energy Outlook 2023, National Grid FES 2023, IPCC models and Met Office UK Climate projections in its scenario analysis modelling. The specific scenarios within these models and the warming scenarios they relate to are outlined in Table 1. The scenario inputs remain consistent with prior year, though have been updated for the latest data published by the relevant external provider.

Assessment of outcomes

The outcome of the updated scenario analysis work conducted in the year indicates that the material climate-related opportunities and risks remain generally stable when compared to the prior year's assessment. The following tables on pages 102 to 105 provide the detail of the assessment outcomes.

SSE considers that these outcomes do not alter its strategy or the key controls it uses to manage and mitigate climate risk. The refreshed scenario analysis confirms that SSE is resilient to the material climate-related risks, and is well placed to benefit from the material climate-related opportunities under each scenario pathway.

Detailed climate-related opportunity and risk tables

The following tables describe the key scenario and assumptions applied; the potential financial impact; the geographical and asset impact; the impact on the business strategy and mitigation; and the related 2030 Goal for each of the material climate-related opportunities and risks.

Transition opportunities

The potential financial impact of all scenarios for transition opportunities is stated in GBP billion (£bn) based on one-year annualised earnings before interest and tax (EBIT) and presented as a range to reflect sensitivities applied to each scenario.

Financial impact change from prior period: ▲ Increase in financial impact of opportunity ■ Stable ▼ Decrease in financial impact of opportunity

Accelerated wind investment ▲

UK and International climate policies present an opportunity to invest in installed onshore and offshore wind generation capacity.

Geographical and asset impact
GB and Ireland, Southern Europe and Japanese wind farm portfolios.

Scenario inputs
- 2023 IEA NZE and STEPS scenarios for wind capacity;
- Electricity capacity projections for SSE's existing and pipeline wind portfolio;
- Internal projections of price adjustments arising in a renewables dominated electricity system.

Financial impact
Based on the scenarios, investment in wind assets at scale could result in significant increases to EBIT under both temperature scenarios and timeframes. The NZE scenarios utilised in the current year indicate lower growth in the 2030 timeline than the comparable scenario applied in the prior year. However, this is reflective of short-term delays to projects rather than a decline in the overall opportunity, with growth being rephased beyond 2030. By 2050 the growth opportunity is higher in the current year scenario than it was in the prior year and supports SSE's NZAP Plus plan to deliver its wind pipeline in line with a 1.5°C scenario.

Scenario	2030 (£bn)	2050 (£bn)
1.5°C	0.5 to 0.7	1.3 to 1.7
2.5°C	0.5 to 0.6	0.8 to 1.1

Strategy
SSE Renewables develops and generates onshore and offshore wind. SSE's NZAP Plus strategic investment programme targets up to 5GW of additional net capacity across the five years to 2027, the majority of which will come from onshore and offshore wind. This investment strategy aligns to the opportunities arising from a 1.5°C scenario.

Related 2030 Goal
Increase renewable energy output fivefold.

Accelerated transmission growth ▲

Increased renewable investment presents an opportunity to generate returns from required investment in SSEN's electricity transmission network.

Geographical and asset impact
SSEN Transmission network assets in the north of Scotland.

Scenario inputs
- 2023 FES Leading the Way and Falling Short scenarios for wind generation capacity;
- The projected share of renewable capacity connected to SSEN's network.

Financial impact
Based on scenarios, the opportunity to invest in the expansion of SSEN Transmission's network presents a potentially significant increase to EBIT. The outcomes indicate considerable growth in both scenarios in connected renewable capacity which continues out to 2050.

Scenario	2030 (£bn)	2050 (£bn)
1.5°C	0.4 to 0.6	1.3 to 1.7
2.5°C	0.2 to 0.3	0.9 to 1.2

Strategy
SSEN Transmission owns, operates, and develops the transmission network in the north of Scotland. The Electricity System Operator (ESO) 'Pathway to 2030' identified £5bn of further investment required in the north of Scotland Transmission network to enable the forecast growth in renewable electricity and support the UK offshore wind and net zero commitments. This is in addition to the Accelerated Transmission Investment (ASTI) to 2030. SSEN Transmission's growth is forecast to closely align with the 'Leading the way' climate scenario.

Related 2030 Goal
Enable low-carbon generation and demand.

Valuable flexible hydro

An increasing reliance on intermittent wind generation, presents an opportunity to invest in new low-carbon hydro assets that earn returns from flexible balancing of the electricity system.

Geographical and asset impact
Hydro assets in the north of Scotland.

Scenario inputs
- 2023 IEA NZE and STEPS scenarios for hydro generation;
- SSE's projected output from existing and pipeline hydro portfolio;
- Internal projections of price adjustments arising in a renewable dominated electricity system.

Financial impact
Based on these scenarios, the opportunity to provide flexible low-carbon hydro generation that balances intermittent electricity generation from wind assets has the potential to increase EBIT in the longer term, where SSE has an opportunity to build a new pumped storage asset. The outcomes indicate negligible growth in both scenarios in the short term, where activities are focused on optimising existing asset output and upgrades to existing assets.

Scenario	2030 (£bn)	2050 (£bn)
1.5°C	No impact	up to 0.2
2.5°C	No impact	0.1 to 0.2

Strategy
SSE Renewables operates and develops pumped hydro storage that provides flexible and dispatchable electricity. SSE seeks to invest in and upgrade its existing 1.5GW of hydro capacity as well as develop pumped storage capacity at Coire Glas as part of SSE's NZAP Plus programme. This investment strategy is aligned to the opportunities arising from a 1.5°C scenario.

Related 2030 Goal
Increase renewable energy output fivefold.

Valuable flexible thermal

Intermittent weather patterns present an opportunity to invest in low-carbon thermal assets that will generate returns from providing flexible capacity, security of supply, and price stability to the electricity system.

Geographical and asset impact
GB CCGTs (including investments in Joint Ventures) and Great Island CCGT in the Republic of Ireland.

Scenario inputs
- 2023 IEA NZE and STEPS scenarios for CCUS and Hydrogen generation;
- SSE's projected output from its pipeline of low-carbon thermal generation assets.

Financial impact
The opportunity to repurpose SSE's existing CCGTs and to invest in new low-carbon thermal generation assets has the potential to increase EBIT in the longer term. The outcomes indicate more growth in low-carbon thermal generation in the longer term scenarios.

Scenario	2030 (£bn)	2050 (£bn)
1.5°C	Up to 0.2	0.8 to 1.1
2.5°C	No impact	0.2 to 0.3

Strategy
SSE Thermal owns and operates conventional flexible thermal generation and energy storage assets in GB and Ireland. These assets are providing critical flexibility to offset renewables variability as the energy system transitions to net zero. SSE is actively developing options to decarbonise its fleet, including carbon capture and storage projects as part of the UK cluster sequencing programme at Keadby in the Humber and Peterhead in the north of Scotland, alongside hydrogen projects at Keadby and Saltend and the repurposing of SSE's Aldbrough gas storage site for the safe storage of hydrogen.

Related 2030 Goal
Cut carbon intensity by 80%.

Driving distribution transformation

UK climate policy presents an opportunity for the transformation of SSEN Distribution's networks to meet the potential five- to ten-fold increase in consumer demand.

Geographical and asset impact
SSEN Distribution network assets in the north of Scotland and central southern England.

Scenario inputs
- 2023 FES Consumer Transformation and Falling Short scenarios for electricity consumer demand;
- SSE's projected electricity distributed on the existing and pipeline network.

Financial impact
Increased expansion of SSEN Distribution's network has the potential to increase EBIT in the longer term. The outcomes indicate considerable growth in consumer demand in the UK, with more significant growth in the 1.5°C scenario.

Scenario	2030 (£bn)	2050 (£bn)
1.5°C	Up to 0.1	0.3 to 0.4
2.5°C	Up to 0.1	0.2 to 0.3

Strategy
SSEN Distribution is the distribution network operator for central southern England and the north of Scotland and a key enabler of the local and national transition to a net zero future. While its RIIO-ED2 business plan 2023-2028 sets out the flexibility and network investment required to accelerate net zero, preparations are being made for the next set of investments expected to be required in the next price control period from 2028-2033. This investment strategy aligns to the opportunities arising from a 1.5°C scenario.

Related 2030 Goal
Enable low-carbon generation and demand.

Transition risks

The potential financial impact for the accelerated gas closure transition risk is stated in GBP billion (£bn) based on projected Net Present Value for each gas-fired power station. The potential financial impact of the wind generation price risks is stated in GBP billion (£bn) based on one-year annualised earnings before interest and tax (EBIT) and presented as a range to reflect risk applied to the scenario.

Financial impact change from prior period: ▲ Increase in financial impact of risk ■ Stable ▼ Decrease in financial impact of risk

Accelerated gas closure ■

More aggressive climate change policy may bring forward the closure of unabated gas generation from 2030.

Geographical and asset impact
GB CCGTs (including investments in Joint Ventures) and Great Island CCGT in the Republic of Ireland.

Scenario inputs
- 2023 FES Leading the Way and Falling Short for Installed unabated natural gas;
- SSE's in scope CCGT assets with useful economic lives (UELs) ending post 2030.

Financial impact
Early closure of unabated gas generation may expose SSE to potential lost EBIT post 2030 for in scope CCGTs. The outcomes of both scenarios indicate a decline in installed unabated natural gas, with the Leading the Way scenario ceasing from 2035 onwards.

Scenario	2030 (£bn)
1.5°C	(0.4) to (0.6)
2.5°C	(0.2) to (0.3)

Mitigations
SSE Thermal assets are providing critical flexibility to offset renewables variability as the energy system transitions to net zero. SSE recognises the critical need for sufficient generation capacity in GB in the early 2030s to meet demand. To deliver low-carbon flexibility in the power system, SSE needs access to the necessary carbon capture and storage and hydrogen infrastructure. SSE is actively developing options to align with the deployment of, and plug into, this infrastructure. It is also developing projects which are being designed to run on 100% hydrogen and natural gas, if there is a system and security of supply need. SSE has set criteria to assess which projects should be progressed through planning and design stages on this basis to mitigate the risk of carbon lock-in and/or phase of out of unabated gas.

Related 2030 Goal
Cut carbon intensity by 80%.

Wind generation price ■

As an increasing number of renewables projects are commissioned to meet net zero targets, it is expected that the average price for wind-generated electricity, known as the wind capture price, will decline.

Geographical and asset impact
GB and Ireland, Southern Europe and Japanese wind farm assets with no revenue support contracts (e.g. contracts for difference).

Scenario inputs
- 2023 IEA NZE and STEPS scenarios for wind generation;
- SSE's projected merchant wind output from existing and pipeline wind portfolio;
- Internal projections of price adjustments arising in a renewable dominated electricity system.

Financial impact
Increased wind generation capacity will likely result in the wind capture price being lower than the baseload price in the future for non-contracted assets. The outcomes of both scenarios indicate considerable growth in total wind generation and a subsequent impact to the achievable price for wind assets. This is most evident in the 1.5°C 2050 scenario where total wind generation growth is forecast to be highest.

Scenario	2030 (£bn)	2050 (£bn)
1.5°C	(0.1) to (0.2)	(0.4) to (0.6)
2.5°C	up to (0.1)	up to (0.2)

Mitigations
SSE's balanced portfolio of generation capacity (across wind, hydro, solar, battery and thermal), power hedging strategies and inclusion of wind capture price into its long-term price forecasts are key to the mitigation of future low wind prices.

Related 2030 Goal
Increase renewable energy output fivefold.

Physical risks

The potential financial impact of all scenarios for physical risks is stated in GBP billion (£bn) based on one-year annualised earnings before interest and tax (EBIT) and presented as a range to reflect sensitivities applied to each scenario.

Financial impact change from prior period: ▲ Increase in financial impact of risk ■ Stable ▼ Decrease in financial impact of risk

Variable renewable generation ■

Climate change models predict sustained higher temperatures in the future that may translate to lower rainfall and lower average wind speeds. These predictions could result in lower renewable electricity generation and a fall in earnings.

Geographical and asset impact
GB and Ireland; Southern Europe; and Japanese wind farm portfolios; and hydro assets in the north of Scotland.

Scenario inputs
- 2023 IEA NZE scenario for wind generation;
- UK Met Office climate projections (UK CP18) tool aligned to IPCC RCPs 2.6 & 8.5 for average wind speeds;
- Projected output of SSE's existing and pipeline wind portfolio.

Financial impact
Predicted lower wind speeds and rainfall levels have the potential to reduce renewable electricity generation and related EBIT. The outcomes of both scenarios indicate a marginal decline in wind speeds and rainfall along with significant growth in wind generation.

Scenario	2050 (£bn)	2080 (£bn)
1.5°C	(0.1) to (0.2)	up to (0.2)
4°C	(0.1) to (0.2)	(0.2) to (0.3)

Mitigations
SSE continues to review climate projections using the Met Office UK Climate Projection (UKCP18) to understand the potential impact on renewable generation assets and infrastructure. The technical and geographical nature of SSE's renewable capacity alongside meteorological monitoring, crisis management and business continuity plans are some of the ways that SSE manages and mitigates its business against this risk.

Related 2030 Goal
Increase renewable energy output fivefold.

Extreme weather network damage ■

Increased frequency and intensity of storm events may cause physical damage to SSEN Distribution's network assets and result in supply issues to customers.

Geographical and asset impact
SSEN Distribution network assets in the north of Scotland and central southern England.

Scenario inputs
- 2023 FES scenarios for consumer demand;
- UK Met Office climate projections (UK CP18) tool aligned to IPCC RCPs 2.6 & 8.5 for average winter wind speeds and mean summer temperature;
- Storm and heat costs to SSE's existing and pipeline network assets.

Financial impact
This risk has the potential to cause physical damage to network assets, increasing repair and maintenance costs and cause disruption of supply to customers, increasing exposure to regulator penalties and reputational issues, negatively impacting EBIT. The outcomes of both scenarios indicate a marginal decline in wind speeds and an increase in average temperatures along with significant growth in the electrification of the system. Although uncertainty in climate models prevails, particularly for wind storms, SSE considers adverse weather to be a material risk, particularly in relation to customers. In the financial year to 31 March 2024, SSE experienced 10 UK Met Office named storms which had an impact on customers and network assets.

Scenario	2050 (£bn)	2080 (£bn)
1.5°C	up to (0.1)	(0.1) to (0.2)
4°C	up to (0.1)	(0.1) to (0.2)

Mitigations
SSE has mitigation methods in place, such as monitoring short- and long-term weather patterns, crisis management and business continuity plans and investment programmes to improve infrastructure resilience. SSEN Distribution has set out resilience strategies with climate adaptation actions in its current price control business plan.

Related 2030 Goal
Enable low-carbon generation and demand.

SSE's carbon performance disclosures

The table on this page, in combination with the energy use information in Table 7 on page 49, represents SSE's disclosures in line with the UK Government Streamlined Energy and Carbon Reporting requirements. SSE takes an operational control consolidation approach to define its organisational boundary for GHG emissions.

SSE's inventory details its direct and indirect GHG emissions (scopes 1, 2 and 3) performance (measured in million tonnes of carbon dioxide equivalent – $MtCO_2e$), provided as total emissions as well as split out by UK and Irish activity. It also provides a carbon intensity measure based on direct GHG emissions released for each unit of electricity SSE produced.

SSE's GHG inventory is prepared in accordance with the UK Government's environmental reporting guidelines (BEIS, March 2019); aligned to the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition) developed by the World Resources Institute and the World Business Council for Sustainable Development (2004); and ISO 14064-1:2018 Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals.

For more information on SSE's GHG emissions data and how it is produced, see SSE's GHG and Environmental Reporting Criteria 2024 available at sse.com/sustainability.

Table 2: SSE's carbon performance

		Unit	2023/24	2022/23
Total reported GHG emissions		**$MtCO_2e$**	**9.27**	**11.33[b]**
Scope 1 GHG emissions	Total	$MtCO_2e$	4.34[a]	6.08[b]
	UK/Ireland	$MtCO_2e$	(3.64/0.70)	(5.35/0.73)
Scope 2 GHG emissions[1]	Total	$MtCO_2e$	0.47[a]	0.44[b]
	UK/Ireland	$MtCO_2e$	(0.47/<0.01)	(0.44/<0.01)
Scope 3 GHG emissions[2] (Categories 3, 4, 9, 11 and 15 only)	Total	$MtCO_2e$	4.46[a]	4.81[b]
	UK/Ireland	$MtCO_2e$	(3.73/0.73)	(4.12/0.69)
Scope 1 GHG emissions intensity	Total	gCO_2e/kWh	205.0[a]	254[b]
Renewable generation output[3]	Total	GWh	10,004	9,665
	UK/Ireland	GWh	(8,652/1,352)	(8,308/1,357)
Non-renewable generation output[4]	Total	GWh	11,159	14,302
	UK/Ireland	GWh	(9,509/1,650)	(12,770/1,532)
Generation output	Total	GWh	21,164	23,967
	UK/Ireland	GWh	(18,162/3,002)	(21,078/2,889)

(a) This data is subject to external independent limited assurance by PricewaterhouseCoopers LLP ('PwC'). For the results of that assurance, see PwC's assurance report and SSE's GHG and Environmental Reporting Criteria 2024 on sse.com/sustainability.

(b) This data was previously reported in the SSE plc Sustainability Report 2023 where it was subject to external independent limited assurance by PricewaterhouseCoopers LLP ('PwC'). For the results of that assurance, see PwC's assurance report and SSE's GHG and Water Reporting Criteria 2023 on sse.com/sustainability.

1 SSE Scope 2 emissions are calculated using the location-based method described in the Greenhouse Gas Protocol.

2 SSE Scope 3 GHG emissions reported consist of Category 11 – Use of Sold Products (Gas Sold) of 2.01 $MtCO_2e$ [(A)]; Category 15 – Investments (Joint Venture investments); Category 3 – Fuel- and Energy-Related Activities; Category 9 – Downstream Transportation and Distribution; Category 4 – Upstream Transportation and Distribution; and Category 6 – Business Travel. Category 1 – Purchased Goods & Services and Category 2 – Capital Goods are excluded as SSE continues to develop and refine its accounting approach to calculate these figures to an acceptable level of accuracy.

3 Total includes pumped storage and biomass output and excludes constrained-off wind in Great Britain.

4 Total excludes output from joint venture power stations where SSE does not have operational control (Seabank Power Limited and Triton Power Limited), and includes 100% of output from joint venture power stations where SSE has full operational control under Power Purchase Agreements (Marchwood Power Limited).

SSE's taxonomy eligible activities

Key strategic activities (i.e. onshore wind, offshore wind, transmission, distribution) from SSE's Reporting Segments were voluntarily assessed against the technical screening criteria. While an internal assessment against the Do No Significant Harm and minimum safeguards criteria was undertaken, a second party opinion has not yet been sought.

The financial metrics disclosed continue to be classified based on SSE's reportable segments. Table 3 provides the output from this principle-based assessment of SSE's taxonomy aligned activities.

Taxonomy eligible and aligned activities in 2023/24 are from SSE's onshore and offshore wind generation, hydro (run of river and pumped storage as well as its networks transmission and distribution activities. The taxonomy eligible but not aligned activities are associated with SSE's thermal generation and gas storage businesses. As these businesses continue their decarbonisation pathways, it is expected that emerging activities such as low-carbon flexible generation or hydrogen storage will qualify in the future as eligible and aligned activities. Activities that have not been identified in the taxonomy as they either do not significantly contribute to climate change mitigation or could yet be integrated into the Taxonomy at a later date are considered taxonomy-non-eligible. They comprise SSE's Business Energy, Airtricity, Energy Markets, Enterprise and Corporate businesses. These activities either operate as customer-focused businesses, a route to market for generation, or do not contain material activities at this time.

Assumptions

SSE's accounting policies for these calculations are based on the current EU Taxonomy Regulation 2020/852, and delegated acts.

Linkage principle
In calculating each taxonomy-eligible aligned proportion, a 'linkage principle' has been applied, stipulating that any revenue, operating profit/loss or capital expenditure that can be justifiably linked to an identified taxonomy economic activity can be classified as taxonomy-eligible aligned. Using this principle, revenue and operating profits from SSE's balancing activities, hedging, and trading can be linked to the EU taxonomy-eligible aligned activities when the activity is undertaken to directly support the eligible aligned activities.

Proxies
Where financial results are not appropriately split into taxonomy eligible activities (namely Energy Markets trading and power sale activities), revenue has been allocated based on purchased power volumes from renewable versus non-renewable assets, and operating profit/loss has been apportioned based on internal contractual trading agreements.

Materiality
The analysis has been prepared by applying a top-down review of SSE's activities and the alignment with existing segmental reporting within taxonomy eligible activities. There are some activities that fall below specified thresholds which are not taxonomy eligible. As SSE's reporting processes and controls will be refined ahead of implementation of the UK Green Taxonomy, it is expected that some reclassification of activities may occur due to changes in materiality thresholds or clarification on eligible activity criteria.

Table 3: Assessment of SSE's taxonomy aligned activities

		Revenue (b)		Adjusted operating profit (c)		Adjusted investment and capital expenditure (d)	
SSE's reported segments (a)	Taxonomy eligible activity (a)	£m	%	£m	%	£m	%
SSEN Transmission	Transmission of electricity	885.2	8.5	419.3	17.3	595.6	24.0
SSEN Distribution	Distribution of electricity	1,004.0	9.6	272.1	11.2	505.1	20.4
SSE Renewables	Electricity generation	335.5	3.2	833.1	34.4	1,097.1	44.3
SSE Energy Markets	As route to market for SSE Renewables	1,043.8	10.0	46.7	2.0	2.1	0.1
Total taxonomy-eligible aligned activities		**3,268.5**	**31.3**	**1,571.2**	**64.9**	**2,199.9**	**88.8**
SSE Thermal	Electricity generation from fossil gaseous fuels	571.0	5.5	736.1	30.4	99.6	4.0
Gas Storage	Storage of hydrogen	11.2	0.1	82.8	3.4	0.8	–
SSE Energy Markets	As route to market for SSE Thermal	1,245.4	11.9	(6.3)	(0.3)	2.1	0.1
Total taxonomy-eligible not aligned activities		**1,827.6**	**17.5**	**812.6**	**33.5**	**102.5**	**4.1**
GB Business Energy		3,183.2	30.4	95.8	3.9	43.7	1.8
SSE Airtricity		2,021.2	19.3	95.0	3.9	14.8	0.6
SSE Energy Markets		–	–	(1.5)	(0.1)	4.4	0.2
SSE Enterprise		91.9	0.9	(25.6)	(1.1)	51.0	2.1
Corporate unallocated		64.8	0.6	(121.1)	(5.0)	60.4	2.4
Total taxonomy-non-eligible activities		**5,361.1**	**51.2**	**42.6**	**1.6**	**174.3**	**7.1**
Total continuing operations		**10,457.2**	**100.0**	**2,426.4**	**100.0**	**2,476.7**	**100.0**

Notes:
(a) Alignment is based on segmental reporting in SSE's financial year end statements.
(b) Revenue: derived from the disaggregation of revenue from contracts by customers, in line with the requirements of IFRS 15 'Revenue from Contracts with Customers' (see **note 5.1.(i)**).
(c) Adjusted operating profit/loss: calculated as adjusted operating profit/loss related to the businesses aligned with the taxonomy categories (see **note 5.1.(ii)**).
(d) Adjusted investment and capital expenditure: calculated as adjusted capital expenditure related to assets or processes associated with taxonomy-eligible economic activities that is accounted for based on IAS 16, IAS 38 and IFRS 16 and thereby included within adjusted capital expenditure (see **note 5.1.(iii)**).

Non-financial and sustainability information statement

SSE reports extensively on its non-financial impacts within its Annual Report and welcomes continued increasing focus from regulators, shareholders and other stakeholders. This table outlines how SSE meets the Non-financial Information and Sustainability reporting requirements contained within the Companies Act 2006. For more information on SSE's business model in Section 414CB (2)(a) see pages 6 to 7. Further disclosure can also be found in SSE's Sustainability Report 2024.

Reporting requirement and SSE's material areas of impact	Relevant Group Principal Risks, pages 87 to 93	Relevant Group Policies on sse.com	Policy embedding, due diligence, outcomes and key performance indicators
Climate matters – Delivering net zero – Managing climate- related issues – Carbon performance, metrics and targets – Climate-related financial disclosures	Climate Change	Group Climate Change Policy	2030 Goals progress, page 25 Our strategy in action, pages 16 to 19 Advancing climate action, pages 28 to 32 TCFD disclosure statement, pages 98 to 105
Environmental matters – Responsible resource use – water and energy use, air emissions – Managing impacts on the natural environment and biodiversity	Safety and the Environment	Group Environment Policy	Protecting and restoring the natural environment, pages 46 to 49 Safety, Sustainability, Health and Environment Advisory Committee Report, pages 154 to 157
Employees – Protecting health, safety and wellbeing – Investing in training and learning – Culture and ethics – Reward and benefits – Employee voice – Promoting inclusion and diversity	People and Culture Safety and the Environment	Group Employment Policy Group Safety and Health Policy	2030 Goals progress, page 25 Powering a just transition, pages 38 to 39 Reinforcing a healthy business culture, page 40 Valuing the employee voice, page 40 Safety, Sustainability, Health and Environment Advisory Committee Report, pages 154 to 157
Social matters – Ensuring a just transition – Contributing to jobs and GDP – Sustainable procurement and supporting local supply chains – Paying a fair share of tax – Supporting customers through the cost-of-living crisis – Sharing value with local communities	People and Culture Speed of Change Energy Affordability	Group Sustainability Policy Group Taxation Policy Group Procurement Policy	2030 Goals progress, page 25 Powering a just transition, pages 38 to 39
Human rights, anti-corruption and anti-bribery – Reinforcing an ethical business culture – Speaking up against wrongdoing – Prevention of bribery and corruption – Approach to human rights	People and Culture Large Capital Projects Management	Group Human Rights Policy Group Corruption and Financial Crime Prevention Policy Group Whistleblowing Policy	Creating social and economic value, pages 39 to 40 Reinforcing a healthy business culture page 40

Viability statement

SSE provides the energy needed today while building a better world of energy for tomorrow through creating value for shareholders and society in a stainable way by developing, building, operating and investing in the electricity infrastructure and businesses needed in the transition to net zero. The delivery of SSE's purpose and execution of its strategy depends on the skills and talent of a diverse workforce, the quality of its assets and the effective identification, understanding and mitigation of risk.

As required within provision 31 of the UK Corporate Governance Code, the Board has formally assessed the prospects of the Company over the next four financial years to the period ending March 2028. The Directors have determined that as this time horizon aligns with the financial planning period, a greater degree of confidence over the forecasting assumptions modelled can be established.

In making this statement the Directors have considered the resilience of the Group taking into account its current position, the Principal Risks facing the Group and the control measures in place to mitigate each of them. The Directors recognise the significance of the strong balance sheet with total undrawn committed lending facilities as shown below:

	£bn	Matures	Comment
SSE plc	1.30	March 2026	
SSE plc	0.20	October 2026	
SSE plc	1.00	February 2025	Collateral facility
SSEN Transmission[1]	0.75	November 2026	1 year extension option (in favour of the Group)
SSEN Distribution	0.25	November 2026	1 year extension option (in favour of the Group)
	3.50		

1 The Transmission facility is available to that Business Unit only.

The Group is an owner and operator of critical national infrastructure and has a proven ability to maintain access to capital markets during stressed economic conditions. The Group has demonstrated this through securing £4.1bn of funding since April 2021 including the issuance of a €750m bond in September 2023 and a £500m bond in January 2024. Further detail relating to planned funding is available in A6.3 › Accompanying Information to the Financial Statements in the Annual Report and Accounts.

The Group has a number of highly attractive and relatively liquid assets – including a regulated asset base which benefits from a strong regulated revenue stream as well as the operational wind portfolio – which provide flexibility of options. This has been demonstrated through the success of recent disposals including the sale of a 25% stake in the Transmission business.

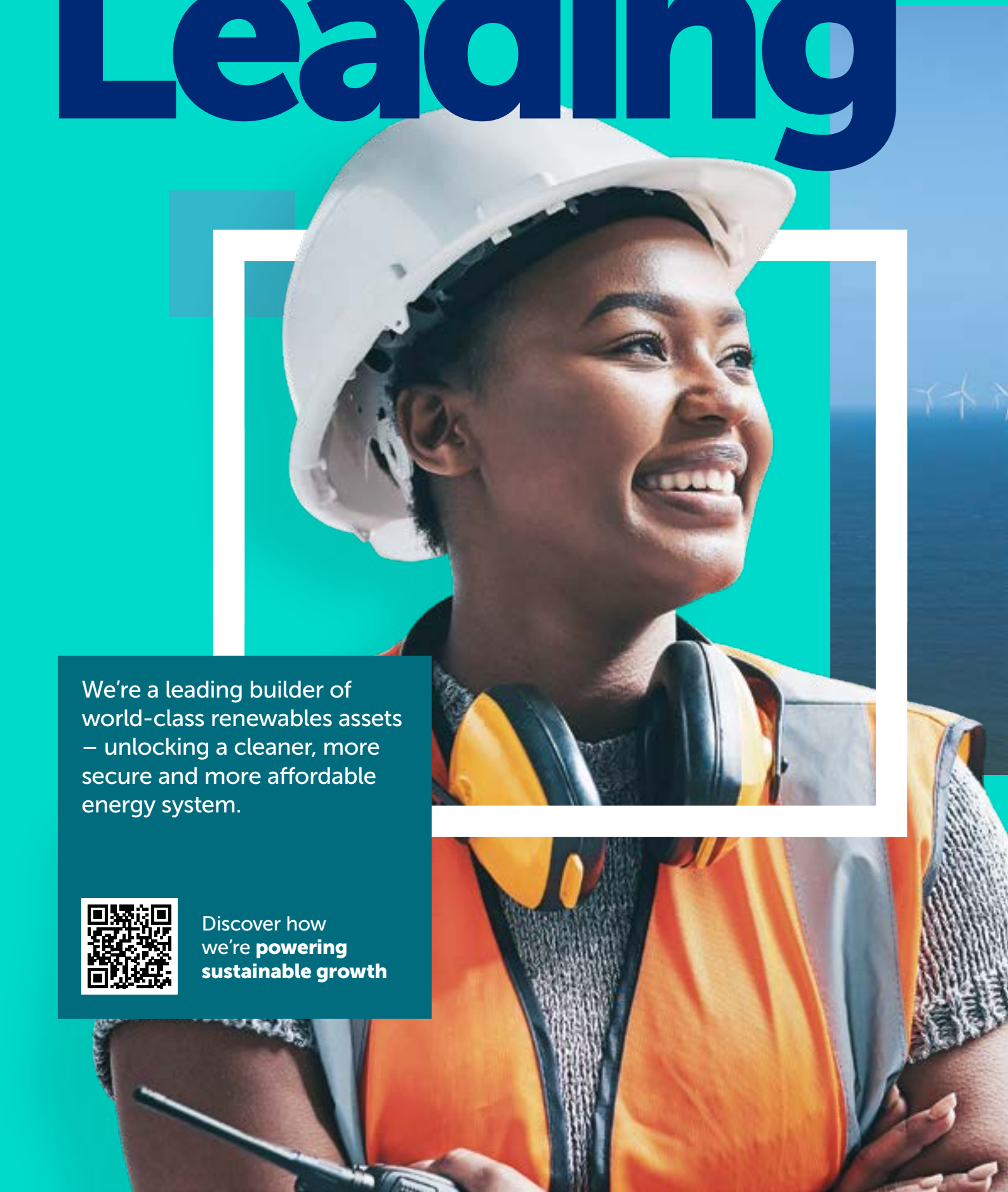
To help support this Statement, over the course of the year a suite of severe but plausible scenarios has been developed for each of SSE's Principal Risks. These scenarios are based on relevant real life events that have been observed either in the markets within which the Group operates or related markets globally. Examples include critical asset failure impacting generation assets (for Energy Infrastructure Failure); changes to key government energy policies (for Political and Regulatory Change); and the physical impacts of climate change on distribution assets through more frequent and increasingly severe storm events (for Climate Change).

Scenarios are stress tested against forecast available financial headroom and in addition to considering these in isolation, the Directors also consider the cumulative impact of different combinations of scenarios, including those that individually have the highest impact.

Upon the basis of the analysis undertaken, and on the assumption that the fundamental regulatory and statutory framework of the markets in which the Group operates does not substantively change, and the Group continues to be able to refund its debt at maturity, the Directors have a reasonable expectation that the Group will be able to continue to meet its liabilities as they fall due in the period to March 2028.

Powering sustainable growth

Leading



We're a leading builder of world-class renewables assets – unlocking a cleaner, more secure and more affordable energy system.

Discover how we're **powering sustainable growth**